

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Wexford County	County Wexford
Fiscal Year End December 31, 2006	Opinion Date May 2, 2007	Date Audit Report Submitted to State June 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma	License Number 1101024989

COUNTY OF WEXFORD, MICHIGAN

BASIC FINANCIAL STATEMENTS

December 31, 2006

WEXFORD COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	LARRY COPLEY
VICE CHAIR	SARAH MCKEEVER
COMMISSIONER	LINDA STAHL
COMMISSIONER	LESLIE HOUSLER
COMMISSIONER	JERRY BULOCK
COMMISSIONER	BILL GOODWILL
COMMISSIONER	MIKE STUMP
COMMISSIONER	WILLIAM S. BARNETT
COMMISSIONER	SCOTT REAGAN

APPOINTED/ELECTED OFFICIALS

COUNTY ADMINISTRATOR	CYNTHIA STAMBAUGH
COUNTY TREASURER	WENDY MOORE
COUNTY CLERK	ELAINE RICHARDSON
GENERAL ACCOUNTING SUPERVISOR	PAM DAHLSTROM

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Wexford, Michigan
437 East Division
Cadillac, Michigan 49601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the County of Wexford, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Cadillac-Wexford Public Library, Wexford County Road Commission, Cadillac-Wexford Transit Authority, and the Wexford County Airport Authority, which represent 100% and 100% of the assets and revenues of the Discretely Presented Component Units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, in so far as it relates to the amounts recorded for the Cadillac-Wexford Public Library, Wexford County Road Commission, Cadillac-Wexford Transit Authority, and the Wexford County Airport Authority, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Cadillac-Wexford Public Library, Wexford County Road Commission, Cadillac-Wexford Transit Authority, and the Wexford County Airport Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Wexford, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2007 on our consideration of the County of Wexford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Wexford's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Wexford. The accompanying schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 2, 2007

Management's Discussion and Analysis

Using this Annual Report

The County's audit report consists of the following:

<ul style="list-style-type: none">• Management's discussion and analysis• Government-wide financial statements• Fund financial statements	<ul style="list-style-type: none">• Notes to the financial statements• Required supplementary information• Other supplementary information
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The 2006 audit report provides a comparison for 2005 and 2006. Most notable is the "Statement of Net Assets". This document presents information on the County assets and liabilities as a whole, with the difference shown as "Net Assets". The "Statement of Activities" details the sources of revenue and the related expenditures for the 2006 ending again with the net assets. Increases or decreases of net assets from period to period provide useful information on the direction of the County's financial position over time.

Also provided are individual fund financial statements for Wexford County's major funds with one column provided for non-major funds. These statements are grouped into three distinct categories:

- Government Services such as public safety, judicial, and administration.
- Proprietary Funds such as Water Systems, the Wexford County Landfill, and Delinquent Tax Funds.
- Fiduciary Funds which account for resources held for outside parties. Examples of these funds would be restitutions, payroll withholdings, and property tax distributions.

Reconciliation between the individual fund statements and the government-wide financials is provided following the individual fund statements. The differences between the statement of net assets and the fund balance sheet primarily relate to the inclusion of capital assets, certain receivables, and long-term liabilities in the government-wide statement of net assets, which are not included in the fund level balance sheet. The differences between the statement of activities and that of revenues, expenditures, and changes in fund balances primarily relate to the timing of reporting capital outlays and debt principal payments in the fund statements and a difference in the timing of the recognition of certain revenues and expenditures such as bond proceeds, accrued interest and accrued employee benefits such as leave time.

Government-wide Statements

The government-wide financial statements of the County are divided into three categories.

Governmental Activities

These are the activities and/or services funded through property taxes and fees for services and are reflected as "General Fund" activities.

Business-Type Activities

These are activities supported by fees exclusively and/or activities that are business-like in nature. Examples include:

- Unrestricted Treasurer's Fund
- Delinquent Tax Funds
- Landfill Enterprise Fund
- Other non-major Enterprise Funds such as Recycling, Land Re-Utilization and Water and Sewer Systems.

Component Units

- Transit Authority
- Airport Authority
- Wexford-Cadillac Library
- Wexford County Road Commission

Governmental Activities and Business-Type Activities are best used in determining the County financial health from the vantage point of day-to-day operations of activities overseen by the Board of Commissioners.

The County as a Whole

The County recognized an increase of \$1,310,037 in net assets in its governmental activities for the fiscal year ending December 31, 2006. This is a result of the following:

- 1) General Fund revenues exceeded expenditures.
- 2) An additional \$1,809,033 reflected as taxes receivable for the second year of the newly implemented Revenue Sharing Reserve Fund due to early tax collection requirements.

In a condensed format, the table below shows the net assets of Wexford County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 12,693,358	\$ 16,533,396	\$ 9,796,978	\$ 14,036,425	\$ 22,490,336	\$ 30,569,821
Noncurrent Assets:						
Restricted Assets	-	-	1,347,557	1,473,445	1,347,557	1,473,445
Capital Assets	<u>7,764,666</u>	<u>7,970,096</u>	<u>11,208,342</u>	<u>8,824,609</u>	<u>18,973,008</u>	<u>16,794,705</u>
Total Assets	<u>\$ 20,458,024</u>	<u>\$ 24,503,492</u>	<u>\$ 22,352,877</u>	<u>\$ 24,334,479</u>	<u>\$ 42,810,901</u>	<u>\$ 48,837,971</u>
Current Liabilities	\$ 3,386,107	\$ 8,610,877	\$ 551,475	\$ 1,341,277	\$ 3,937,582	\$ 9,952,154
Noncurrent Liabilities	<u>5,481,807</u>	<u>5,612,542</u>	<u>9,704,279</u>	<u>9,175,477</u>	<u>15,186,086</u>	<u>14,788,019</u>
Total Liabilities	<u>8,867,914</u>	<u>14,223,419</u>	<u>10,255,754</u>	<u>10,516,754</u>	<u>19,123,668</u>	<u>24,740,173</u>
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	2,443,506	2,452,450	10,156,332	7,685,556	12,599,838	10,138,006
Restricted	5,448,615	4,404,086	-	-	5,448,615	4,404,086
Unrestricted	<u>3,697,989</u>	<u>3,423,537</u>	<u>1,940,791</u>	<u>6,132,169</u>	<u>5,638,780</u>	<u>9,555,706</u>
Total Net Assets	<u>\$ 11,590,110</u>	<u>\$ 10,280,073</u>	<u>\$ 12,097,123</u>	<u>\$ 13,817,725</u>	<u>\$ 23,687,233</u>	<u>\$ 24,097,798</u>

The current level of unrestricted net assets for our governmental activities stands at \$3,697,989, or about 24.5% of expenses. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 12.7%. Net Assets of the business-type activities decreased approximately 12.5%. Continuing cell construction activity and contamination clean up at the Sanitary Landfill are responsible for the decrease in Net Assets of the business-type activities.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$ 3,087,327	\$ 3,022,630	\$ 3,503,605	\$ 3,204,690	\$ 6,590,932	\$ 6,227,320
Operating Grants and Contributions	2,992,086	2,843,364	-	-	2,992,086	2,843,364
Capital Grants and Contributions	-	63,357	-	-	-	63,357
General Revenues:						
Property Taxes	9,945,344	9,348,772	-	-	9,945,344	9,348,772
Unrestricted Investment Earnings	328,078	183,120	421,239	363,900	749,317	547,020
Other Revenue	-	40,481	13,696	35,006	13,696	75,487
Transfers	58,245	451,852	(58,245)	(451,852)	-	-
Total Program Revenues	16,411,080	15,953,576	3,880,295	3,151,744	20,291,375	19,105,320
Program Expenses:						
Legislative	51,738	51,321	-	-	51,738	51,321
Judicial	2,289,319	2,226,189	-	-	2,289,319	2,226,189
General Government	3,189,009	2,967,104	-	-	3,189,009	2,967,104
Public Safety	5,327,581	5,467,683	-	-	5,327,581	5,467,683
Health and Welfare	2,466,518	1,904,699	-	-	2,466,518	1,904,699
Community and Economic Development	178,751	237,391	-	-	178,751	237,391
Recreation and Culture	335,726	613,797	-	-	335,726	613,797
Interest on Long -Term Debt	394,934	355,515	-	-	394,934	355,515
Other Expenses	867,467	544,756	-	-	867,467	544,756
Water and Wastewater	-	-	558,268	495,190	558,268	495,190
Sanitary Landfill	-	-	4,956,316	5,675,850	4,956,316	5,675,850
Delinquent Tax	-	-	11,640	7,103	11,640	7,103
Other business-type activities	-	-	74,673	344,944	74,673	344,944
Total Program Expenses	15,101,043	14,368,455	5,600,897	6,523,087	20,701,940	20,891,542
Changes in Net Assets	1,310,037	1,585,121	(1,720,602)	(3,371,343)	(410,565)	(1,786,222)
Net Assets – Beginning	10,280,073	8,694,952	13,817,725	17,035,058	24,097,798	25,730,010
Prior Period Adjustment	-	-	-	154,010	-	154,010
Net Assets Beginning, as Restated	10,280,073	8,694,952	13,817,725	17,189,068	24,097,798	25,884,020
Net Assets – Ending	\$ 11,590,110	\$ 10,280,073	\$ 12,097,123	\$ 13,817,725	\$ 23,687,233	\$ 24,097,798

Governmental Activities

Over the last few years, the County has experienced slow but steady growth in tax revenues, despite the Proposal A restraints. For the 2006 budget, revenues were conservatively estimated first and the expenditures reduced to match. As indicated by an addition to General Fund fund balance, departments were able to live within those budgets.

Revenue will continue to be an issue. The shift of revenue sharing to early tax collection, as dictated by the state, began during 2005 with the County recognizing their annual allotment of the new Revenue Sharing Reserve Fund as determined by the State of Michigan. Because all line items within each departmental budget are reduced to match revenues, any further reduction in sources of income must be reflected through additional cuts in expenditures. In turn, such reductions have the potential of adversely affecting both non-mandated and mandated services. Wexford County, by policy, wishes to maintain a 14% (General Fund) fund balance. The 2007 budget was done again with virtually no contingency dollars. Any potential overage in this year's budgeted expenses, if not offset by increased revenues, cannot be met without use of fund balance. Wexford County's prudent expenditure of monies in 2006 leaves it with a fund balance of \$2,206,678, which is 20% of the 2007 approved budget. While this is well over the County policy of 14%, it must be noted that a part of the fund balance is due to the change in funding of Revenue Sharing and is taxes receivable for the portion of the 2/3 summer collection that is yet to be collected in 2007. This does not equate to cash. The County continues its efforts toward a more sound financial position and continues to enjoy a better financial environment than some counties in the State of Michigan.

In looking at the expenditure side, the issues remain the same. High unpredictable costs of operation may force unfavorable actions. These, to name a few, are:

- Employee Benefits
- Child Care Fund
- Sheriff Department overtime to meet unexpected demands
- Inmate Housing created by rental costs and/or unexpected influx of inmates. The social climate is one factor in this equation, the other is state-level changes at the Department of Corrections and the many alternatives this department creates to relieve its own budgetary shortfalls
- Unexpected maintenance costs or capital improvement

Business-Type Activities

In regard to the business-type activities, net assets continued to fall, due to continued work at the Landfill. These expense areas involved the ongoing efforts to define potential ground-water contamination, leachate treatment costs, and overall operational cost increases. Foremost of these costs are the escalating expenses involving ground-water contamination and the costs associated with obtaining an approved remedial action plan.

Growing expenses at the Wexford County Landfill exceeded revenues by \$2,286,450, due to these mandated changes and operational expenses.

Water and sewer operations remained stable, despite an ongoing need to review operational and debt retirement expenses in relationship to fund excesses that are held by participating governmental units.

The County's Funds

Our analysis of the County's major funds begins on page 12, following the entity-wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2006 include the General Fund, Revenue Sharing Reserve, Community Development Grant Program, Council on Aging, 2005 Delinquent Tax Fund, Sanitary Landfill, Unrestricted Treasurers Fund, and Haring Township Water System.

The General Fund supports most of the County's governmental services. Police services, along with housing inmates outside the County are among the costliest services. Road Patrol services are supported by an operational millage. The Revenue Sharing Reserve Fund was new in 2004 and holds County taxes collected during the summer tax season. These funds will go back to the General fund in proportion to previously received State Revenue Sharing payments. The 2005 Delinquent Tax Fund is supported by interest and fees from the collection of delinquent taxes.

Other Funds

Other funds of note are:

- 2004 Delinquent Tax Fund
- Self Insurance Internal Service Fund

These reflect no unusual changes during 2006, though it is to be noted that the Self Insurance Internal Service Fund reflects an increase fund balance due to a continued reduction in overall health care costs for 2006.

General Fund Budgetary Highlights

Wexford County's General Fund budget for 2006 as originally adopted reflected a balanced projection for the year. The General Fund revenues came in slightly over the budgeted projection, while expenditures came in slightly less. The County recognized an increase in the fund balance of the General Fund in the amount of \$396,642. As explained earlier, an additional tax receivable due to the summer collection of 2/3 of County taxes resulted in a portion of that increase. The remaining addition is again, due to the positive performance of each department within the County system.

Capital Asset and Debt Administration

As of December 31, 2006, the County had invested \$18,973,008 in capital assets that meet the dollar threshold of the reporting requirement. There were lesser dollar purchases as well for the purpose of upgrading selected personal computers.

The County reduced its bond debt load by \$124,000 in principal payments in 2006 ending with a debt balance of \$5,721,000. \$15,000 was for payments on revenue bonds; \$24,000 was for payment on special assessment bonds with the balance being put toward bonds for the Government Center building.

Economic Factors and Next Year's Budgets and Rates

As noted elsewhere, the County has experienced relatively stable revenue over many years, with any reductions in state revenue being offset to some degree by an increase in residential home values. Our dependence on such growth to offset the ever-expanding service requirements and the ongoing state reductions in payments to Counties will need to be changed in the future as the building trades experience a drop in activities.

Property taxes account for nearly 49% of revenue generated, with charges for services generating nearly 33%. Due to the shift from state revenue to early collection, a point in time will be reached where cash flow will become an issue. In order to fund such a need, the County will need to consider using fund balance or tax revolving funds as the lending source.

Secondly, concern must be drawn to health insurance costs. The County recognized another slight decrease in health care costs with the renewal effective May 1, 2006. The County continues to monitor health care costs and continues to make adjustments to those programs to keep those costs in check. Other benefit issues continue to be addressed by the County including retirement programs.

The Landfill continues to be a big concern for the County. They continue to make efforts to contain those costs and move forward in all Landfill operations. Capped property tax rates and shrinking state shared revenues continue to have a direct impact.

Wexford County must consider the following, however, in this year and in the future:

- Continuing the process to fund capital improvement or asset issues.
- Reestablishment of a contingency fund to handle legitimate emergencies.
- Address inmate housing and jail facility replacement.
- Continue to provide financial latitude for departmental managers within the parameters of their budgets.
- Landfill issues.

Component Unit

A complete financial statement and management's discussion and analysis may be obtained from each respective component unit.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Office of Administration at 437 E. Division, Cadillac, Michigan 49601.

Basic Financial Statements

County of Wexford, Michigan

Statement of Net Assets

December 31, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
<i>Current Assets:</i>				
Cash & Equivalents - Unrestricted	\$ 5,992,403	\$ 6,429,046	\$ 12,421,449	\$ 1,433,736
Investments - Unrestricted	154,961	1,667,805	1,822,766	-
Receivables:				
Accounts	94,983	283,777	378,760	1,255,114
Taxes	4,506,032	1,219,194	5,725,226	645,905
Interest	-	158,002	158,002	26,852
Special Assessments	338,183	-	338,183	-
Loans	1,082,582	-	1,082,582	-
Due from Governmental Units	450,569	39,154	489,723	201,248
Inventory	3,848	-	3,848	644,464
Prepaid Expenses	69,797	-	69,797	25,260
<i>Noncurrent Assets:</i>				
Investments - Restricted	-	1,347,557	1,347,557	-
Capital Assets (Not Depreciated)	78,562	149,706	228,268	7,763,194
Capital Assets (Net of Accumulated Depreciation)	7,686,104	11,058,636	18,744,740	20,532,950
TOTAL ASSETS	\$ 20,458,024	\$ 22,352,877	\$ 42,810,901	\$ 32,528,723
LIABILITIES:				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 389,810	\$ 382,103	\$ 771,913	\$ 69,825
Accrued Liabilities	105,525	18,938	124,463	117,808
Accrued Interest Payable	178,748	-	178,748	-
Due to Governmental Units	160,000	2,026	162,026	821
Deferred Revenue	2,381,999	-	2,381,999	170,902
Other Liabilities	-	90	90	-
Bonds Payable - Current	119,000	20,000	139,000	-
Capital Lease Payable - Current	51,025	128,318	179,343	21,079
Notes Payable - Current	-	-	-	103,101
<i>Noncurrent Liabilities:</i>				
Bonds Payable	4,937,000	645,000	5,582,000	-
Capital Lease Payable	214,135	258,692	472,827	-
Advance from State	-	-	-	441,945
Notes Payable	-	-	-	300,000
Compensated Absences	330,672	-	330,672	379,661
Estimated Liability for Landfill Closure & Postclosure Costs	-	8,800,587	8,800,587	-
TOTAL LIABILITIES	8,867,914	10,255,754	19,123,668	1,605,142
NET ASSETS:				
Invested in Capital Assets (net of related debt)	2,443,506	10,156,332	12,599,838	27,871,964
Restricted for Public Library	-	-	-	18,025
Restricted for County Road	-	-	-	1,432,001
Restricted (See Note 12)	5,448,615	-	5,448,615	-
Unrestricted	3,697,989	1,940,791	5,638,780	1,601,591
TOTAL NET ASSETS	\$ 11,590,110	\$ 12,097,123	\$ 23,687,233	\$ 30,923,581

County of Wexford, Michigan

Statement of Activities For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 51,738	\$ -	\$ -	\$ -	\$ (51,738)	\$ -	\$ (51,738)	\$ -
Judicial	2,289,319	765,442	793,165	-	(730,712)	-	(730,712)	-
General Government	3,189,009	1,160,090	533,014	-	(1,495,905)	-	(1,495,905)	-
Public Safety	5,327,581	767,602	543,154	-	(4,016,825)	-	(4,016,825)	-
Recreation & Culture	335,726	328,997	-	-	(6,729)	-	(6,729)	-
Health & Welfare	2,466,518	5,079	1,059,491	-	(1,401,948)	-	(1,401,948)	-
Community & Economic Development	178,751	60,117	63,262	-	(55,372)	-	(55,372)	-
Interest expense - Unallocated	394,934	-	-	-	(394,934)	-	(394,934)	-
Other Expenses	867,467	-	-	-	(867,467)	-	(867,467)	-
Total Governmental Activities	15,101,043	3,087,327	2,992,086	-	(9,021,630)	-	(9,021,630)	-
Business-type activities:								
Tax Collection	11,640	547,641	-	-	-	536,001	536,001	-
Landfill	4,956,316	2,374,761	-	-	-	(2,581,555)	(2,581,555)	-
Water & Wastewater	558,268	544,885	-	-	-	(13,383)	(13,383)	-
Other	74,673	36,318	-	-	-	(38,355)	(38,355)	-
Total Business-type Activities	5,600,897	3,503,605	-	-	-	(2,097,292)	(2,097,292)	-
Total Primary Government	\$ 20,701,940	\$ 6,590,932	\$ 2,992,086	\$ -	(9,021,630)	(2,097,292)	(11,118,922)	-
Component Units:								
Transit Authority	\$ 1,568,158	\$ 254,156	\$ 765,589	\$ -				(548,413)
Airport Authority	792,128	357,526	66,950	216,322				(151,330)
Public Library	926,474	3,965	23,300	-				(899,209)
Road Commission	6,594,806	1,623,461	4,507,100	-				(464,245)
Total Component Units	9,881,566	2,239,108	5,362,939	216,322				(2,063,197)
Total	\$ 30,583,506	\$ 8,830,040	\$ 8,355,025	\$ 216,322				(2,063,197)
General Revenues:								
Taxes					9,945,344	-	9,945,344	985,632
Federal, State, & Local - General					-	-	-	291,408
Investment Earnings (Loss)					328,078	421,239	749,317	80,893
Other Revenue					-	13,696	13,696	38,629
Transfers					58,245	(58,245)	-	-
Total General Revenues and Transfers					10,331,667	376,690	10,708,357	1,396,562
Change in Net Assets					1,310,037	(1,720,602)	(410,565)	(666,635)
Net Assets - Beginning					10,280,073	13,817,725	24,097,798	31,590,216
Net Assets - Ending					\$ 11,590,110	\$ 12,097,123	\$ 23,687,233	\$ 30,923,581

See accompanying notes to financial statements.

County of Wexford, Michigan

Balance Sheet Governmental Funds December 31, 2006

	General	Revenue Sharing Reserve	Community Development Grant Program	Council on Aging	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents - Unrestricted	\$ 1,805,566	\$ 2,282,570	\$ 17,099	\$ 75,198	\$ 1,483,132	\$ 5,663,565
Investments - Unrestricted	-	-	-	-	154,961	154,961
Receivables:						
Accounts	89,792	-	-	-	5,191	94,983
Taxes	589,075	1,809,033	-	915,309	1,192,615	4,506,032
Special Assessments	-	-	-	-	338,183	338,183
Loans	-	-	1,082,582	-	-	1,082,582
Due from Governmental Units	389,185	-	-	-	61,384	450,569
Prepaid Expenditures	-	-	-	-	761	761
Inventories	-	-	-	-	3,848	3,848
TOTAL ASSETS	\$ 2,873,618	\$ 4,091,603	\$ 1,099,681	\$ 990,507	\$ 3,240,075	\$ 12,295,484
LIABILITIES:						
Accounts Payable	\$ 299,181	\$ -	\$ -	\$ -	\$ 74,969	\$ 374,150
Accrued Liabilities	93,684	-	-	-	11,841	105,525
Due to Governmental Units	-	-	-	-	160,000	160,000
Deferred Revenue	274,075	-	1,082,582	915,309	1,530,798	3,802,764
TOTAL LIABILITIES	666,940	-	1,082,582	915,309	1,777,608	4,442,439
FUND BALANCES:						
Reserved	-	4,091,603	-	-	-	4,091,603
Unreserved:						
Undesignated	2,206,678	-	17,099	75,198	1,462,467	3,761,442
TOTAL FUND BALANCES	2,206,678	4,091,603	17,099	75,198	1,462,467	7,853,045
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,873,618	\$ 4,091,603	\$ 1,099,681	\$ 990,507	\$ 3,240,075	
Reconciliation to amounts reported for governmental activities in the statement of net assets:						
Capital assets used by governmental activities						7,764,666
Revenues from Home Improvement Loans & Special Assessment:						1,420,765
Long-term notes & leases payable for governmental activities						(5,321,160)
Compensated absences liability						(330,672)
Internal service funds included in governmental activities						382,214
Accrued interest payable						(178,748)
Net assets of governmental activities						\$ 11,590,110

County of Wexford, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2006

	General	Revenue Sharing Reserve	Community Development Grant Program	Council on Aging	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 6,323,983	\$ 1,809,033	\$ -	\$ 733,970	\$ 1,078,358	\$ 9,945,344
Special Assessments	-	-	-	-	78,531	78,531
Licenses & Permits	2,682	-	-	-	9,009	11,691
Intergovernmental Revenue:						
Federal Sources	679,100	-	63,262	-	137,270	879,632
State Sources	822,118	-	-	10,811	1,218,584	2,051,513
Local Sources	7,969	-	-	-	52,972	60,941
Charges for Services	1,182,528	-	-	-	749,214	1,931,742
Fines & Forfeitures	39,166	-	-	-	18,365	57,531
Interest & Rentals	159,194	85,961	1,503	-	81,420	328,078
Other Revenue	664,643	-	48,366	-	181,049	894,058
TOTAL REVENUES	9,881,383	1,894,994	113,131	744,781	3,604,772	16,239,061
EXPENDITURES:						
Legislative	51,738	-	-	-	-	51,738
Judicial	2,289,319	-	-	-	-	2,289,319
General Government	2,846,575	-	-	-	152,004	2,998,579
Public Safety	4,149,351	-	-	-	1,001,972	5,151,323
Health & Welfare	71,438	-	-	767,125	1,627,955	2,466,518
Recreation & Culture	-	-	-	-	365,825	365,825
Community & Economic Development	65,987	-	111,630	-	-	177,617
Capital Outlay	2,393	-	-	-	222,205	224,598
Debt Service	-	-	-	-	431,879	431,879
Other Expenditures	559,434	-	-	-	263,925	823,359
TOTAL EXPENDITURES	10,036,235	-	111,630	767,125	4,065,765	14,980,755
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(154,852)	1,894,994	1,501	(22,344)	(460,993)	1,258,306
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	1,559,913	-	-	-	1,008,419	2,568,332
Operating Transfers Out	(1,008,419)	(575,239)	-	-	(926,429)	(2,510,087)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	396,642	1,319,755	1,501	(22,344)	(379,003)	1,316,551
FUND BALANCES, JANUARY 1	1,810,036	2,771,848	15,598	97,542	1,841,470	6,536,494
FUND BALANCES, DECEMBER 31	\$ 2,206,678	\$ 4,091,603	\$ 17,099	\$ 75,198	\$ 1,462,467	\$ 7,853,045

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2006**

Net Changes in fund balances - total governmental funds		1,316,551
The change in net assets reported for governmental activities in the statement of activities is different because:		
Disposal of capital assets		(4,935)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$385,987) exceeded capital outlay \$185,492 in the current period.		(200,495)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Principal Payments		109,000
Lease Payments		87,486
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days after year end.		(159,076)
Home Improvement Loan program revenue is recorded as revenue when earned; they are not reported in the funds until collected.		78,894
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:		
Compensated absences	(39,290)	
Accrued interest on bonds	<u>(72,054)</u>	(111,344)
Internal Service Funds are included as governmental activities.		<u>193,956</u>
Changes in net assets of governmental activities		<u>\$ 1,310,037</u>

Statement of Net Assets Proprietary Funds December 31, 2006

	Business-type Activities						
	Enterprise Funds						
	2005 Delinquent Tax	Landfill	Unrestricted Treasurer's Fund	Haring Twp Water System	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:							
Current Assets:							
Cash & Equivalents - Unrestricted	\$ 1,701,239	\$ 888,292	\$ 1,260,378	\$ 581,938	\$ 1,895,730	\$ 6,327,577	\$ 430,307
Investments - Unrestricted	-	1,667,805	-	-	-	1,667,805	-
Receivables:							
Accounts	-	168,792	-	19,620	95,365	283,777	-
Taxes	1,058,679	-	614	-	159,901	1,219,194	-
Interest	106,121	-	-	-	51,881	158,002	-
Due from Other Governmental Units	27,247	-	-	-	11,907	39,154	-
Advances from Other Funds	-	-	2,600,000	-	-	2,600,000	-
Prepaid Expenses	-	-	-	-	-	-	69,036
Total Current Assets	<u>2,893,286</u>	<u>2,724,889</u>	<u>3,860,992</u>	<u>601,558</u>	<u>2,214,784</u>	<u>12,295,509</u>	<u>499,343</u>
Noncurrent Assets:							
Investments - Restricted	-	1,347,557	-	-	-	1,347,557	-
Capital Assets (not depreciated)	-	149,706	-	-	-	149,706	-
Capital Assets (net of accumulated depreciation)	-	9,058,787	-	1,656,535	297,146	11,012,468	46,168
Total Noncurrent Assets	<u>-</u>	<u>10,556,050</u>	<u>-</u>	<u>1,656,535</u>	<u>297,146</u>	<u>12,509,731</u>	<u>46,168</u>
TOTAL ASSETS	<u>\$ 2,893,286</u>	<u>\$ 13,280,939</u>	<u>\$ 3,860,992</u>	<u>\$ 2,258,093</u>	<u>\$ 2,511,930</u>	<u>\$ 24,805,240</u>	<u>\$ 545,511</u>
LIABILITIES & NET ASSETS:							
Current Liabilities:							
Advances from Other Funds	\$ 2,600,000	\$ -	\$ -	\$ -	\$ -	\$ 2,600,000	\$ -
Accounts Payable	-	331,574	-	5,347	39,111	376,032	21,731
Accrued Liabilities	-	5,697	-	8,837	1,886	16,420	2,518
Due to Other Governmental Units	-	-	1,646	-	380	2,026	-
Capital Leases Payable - Current	-	111,320	-	-	-	111,320	16,999
Bonds Payable - Current	-	-	-	20,000	-	20,000	-
Other Liabilities	-	-	-	-	90	90	-
Total Current Liabilities	<u>2,600,000</u>	<u>448,591</u>	<u>1,646</u>	<u>34,184</u>	<u>41,467</u>	<u>3,125,888</u>	<u>41,248</u>
Noncurrent Liabilities:							
Capital Leases Payable	-	240,513	-	-	-	240,513	18,178
Bonds Payable	-	-	-	645,000	-	645,000	-
Estimated Liability for Landfill Closure & Postclosure Costs	-	8,800,587	-	-	-	8,800,587	-
Total Noncurrent Liabilities	<u>-</u>	<u>9,041,100</u>	<u>-</u>	<u>645,000</u>	<u>-</u>	<u>9,686,100</u>	<u>18,178</u>
TOTAL LIABILITIES	<u>2,600,000</u>	<u>9,489,691</u>	<u>1,646</u>	<u>679,184</u>	<u>41,467</u>	<u>12,811,988</u>	<u>59,426</u>
Net Assets:							
Invested in Capital Assets (net of related debt)	-	8,856,660	-	991,535	297,146	10,145,341	10,991
Unrestricted	<u>293,286</u>	<u>(5,065,412)</u>	<u>3,859,346</u>	<u>587,374</u>	<u>2,173,317</u>	<u>1,847,911</u>	<u>475,094</u>
TOTAL NET ASSETS	<u>\$ 293,286</u>	<u>\$ 3,791,248</u>	<u>\$ 3,859,346</u>	<u>\$ 1,578,909</u>	<u>\$ 2,470,463</u>	<u>\$ 11,993,252</u>	<u>\$ 486,085</u>
Reconciliation to amounts reported for business activities in the statement of net assets:							
Internal service funds included in business activities						103,871	
Net assets of business activities						<u>\$ 12,097,123</u>	

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
For the Year Ended December 31, 2006**

	Business-type Activities						
	Enterprise Funds						Internal Service Funds
	2005 Delinquent Tax	Landfill	Unrestricted Treasurer's Fund	Haring Twp Water System	Non-Major Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES:							
Interest & Penalties	\$ 223,168	\$ -	\$ 6,493	\$ -	\$ 86,669	\$ 316,330	\$ -
Charges for Services	70,118	2,344,034	-	202,028	533,578	3,149,758	393,482
Fines & Forfeitures	-	9,877	-	-	-	9,877	-
Premiums - Health Insurance	-	-	-	-	-	-	1,543,101
Other Revenue	-	12,627	-	491	285	13,403	253
Total Operating Revenues	293,286	2,366,538	6,493	202,519	620,532	3,489,368	1,936,836
OPERATING EXPENSES:							
Salaries & Benefits	-	407,690	-	78,105	141,709	627,504	195,039
Supplies	-	85,279	-	10,300	14,326	109,905	20,141
Contractual Services	-	100,640	-	-	-	100,640	-
Landfill Closure & Postclosure Costs	-	642,200	-	-	-	642,200	-
Administrative	-	296,826	-	35,894	60,762	393,482	77,372
Health Care	-	-	-	-	-	-	683,261
Prescriptions	-	-	-	-	-	-	371,726
Reinsurance	-	-	-	-	-	-	117,609
Dental	-	-	-	-	-	-	99,177
Other Services & Charges	-	1,740,314	6,158	25,465	167,262	1,939,199	134,219
Repair & Maintenance	-	40,298	-	6,496	18,974	65,768	4,862
Repair & Maintenance - Site	-	1,132,595	-	-	-	1,132,595	-
Depreciation	-	510,474	-	47,151	28,087	585,712	11,541
Other Expenses	-	-	-	-	3,892	3,892	-
Total Operating Expenses	-	4,956,316	6,158	203,411	435,012	5,600,897	1,714,947
OPERATING INCOME (LOSS)	293,286	(2,589,778)	335	(892)	185,520	(2,111,529)	221,889
NON-OPERATING REVENUES (EXPENSES):							
Interest Earnings	-	205,130	63,547	28,770	61,133	358,580	5,981
Interest Expense	-	(6,192)	-	(41,520)	-	(47,712)	-
Unrealized Gain on Investments	-	104,390	-	-	-	104,390	-
Total Non-operating Revenues (Expenses)	-	303,328	63,547	(12,750)	61,133	415,258	5,981
Income (loss) before transfers	293,286	(2,286,450)	63,882	(13,642)	246,653	(1,696,271)	227,870
Operating Transfers In	-	-	2,500,000	-	-	2,500,000	-
Operating Transfers Out	-	-	(58,245)	-	(2,500,000)	(2,558,245)	-
CHANGE IN NET ASSETS	293,286	(2,286,450)	2,505,637	(13,642)	(2,253,347)	(1,754,516)	227,870
NET ASSETS, JANUARY 1	-	6,077,698	1,353,709	1,592,551	4,723,810	13,747,768	258,215
NET ASSETS, DECEMBER 31	<u>\$ 293,286</u>	<u>\$ 3,791,248</u>	<u>\$ 3,859,346</u>	<u>\$ 1,578,909</u>	<u>\$ 2,470,463</u>	<u>\$ 11,993,252</u>	<u>\$ 486,085</u>

County of Wexford, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2006

Business-type Activities							
Enterprise Funds							
2005 Delinquent Tax Fund	Landfill	Unrestricted Treasurer's Funds	Haring Twp Water System	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from Customers/payments (to) from other governmental units	\$ 2,020,823	\$ 2,365,534	\$ 15,928	\$ 203,314	\$ 1,615,090	\$ 6,220,689	\$ 1,941,841
Payments to Suppliers	(2,919,584)	(4,241,276)	(4,672)	(73,927)	(243,433)	(7,482,892)	(1,514,459)
Payments to Employees		(407,956)	-	(76,929)	(141,971)	(626,856)	(195,362)
Internal Activity - Payments/Receipts with Other Funds	2,600,000	-	(2,600,000)	-	-	-	-
Net Cash Provided (Used) by Operating Activities	1,701,239	(2,283,698)	(2,588,744)	52,458	1,229,686	(1,889,059)	232,020
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Purchase of Capital Assets	-	(2,893,684)	-	(29,592)	-	(2,923,276)	(57,709)
Lease Proceeds	-	-	-	-	-	-	54,620
Principal Payments	-	(107,220)	-	(15,000)	-	(122,220)	(19,443)
Interest Payments	-	(6,192)	-	(41,520)	-	(47,712)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(3,007,096)	-	(86,112)	-	(3,093,208)	(22,532)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:							
Operating transfers in	-	-	2,500,000	-	-	2,500,000	-
Operating transfers out	-	-	(58,245)	-	(2,500,000)	(2,558,245)	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	-	2,441,755	-	(2,500,000)	(58,245)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Net Change in Investments	-	2,009,518	-	-	-	2,009,518	-
Unrealized Gain on Investments	-	104,390	-	-	-	104,390	-
Interest income	-	205,130	63,547	28,770	61,133	358,580	5,981
Net Cash Provided (Used in) Investing Activities	-	2,319,038	63,547	28,770	61,133	2,472,488	5,981
Net Increase (Decrease) in Cash and Cash Equivalents	1,701,239	(2,971,756)	(83,442)	(4,884)	(1,209,181)	(2,568,024)	215,469
Balances - Beginning of the Year	-	3,860,048	1,343,820	586,822	3,104,911	8,895,601	214,838
Balances - End of the Year	\$ 1,701,239	\$ 888,292	\$ 1,260,378	\$ 581,938	\$ 1,895,730	\$ 6,327,577	\$ 430,307
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ 293,286	\$ (2,589,778)	\$ 335	\$ (892)	\$ 185,520	\$ (2,111,529)	\$ 221,889
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	-	510,474	-	47,151	28,087	585,712	11,541
Change in Assets and Liabilities:							
Taxes Receivable	(1,058,679)	-	8,077	-	900,843	(149,759)	-
Accounts Receivable	-	(1,004)	-	795	(10,839)	(11,048)	148
Interest Receivable	(106,121)	-	-	-	80,466	(25,655)	-
Prepaid Expenses	-	-	-	-	-	-	4,857
Due From Other Governmental Units	(27,247)	-	1,358	-	24,088	(1,801)	-
Due From Other Funds	-	-	(2,600,000)	-	-	(2,600,000)	-
Accounts Payable	-	(845,324)	-	4,228	22,153	(818,943)	(6,092)
Accrued Liabilities	-	(266)	-	1,176	(262)	648	(323)
Estimated Liability for Landfill Closure & Post Closure Costs	-	642,200	-	-	-	642,200	-
Due to Other Funds	2,600,000	-	-	-	-	2,600,000	-
Due to Other Governmental Funds	-	-	1,486	-	-	1,486	-
Other Liabilities	-	-	-	-	(370)	(370)	-
Net Cash Provided (Used) by Operating Activities	\$ 1,701,239	\$ (2,283,698)	\$ (2,588,744)	\$ 52,458	\$ 1,229,686	\$ (1,889,059)	\$ 232,020

See accompanying notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenses,
and Changes in Net Assets of Propriety Funds
to the Statement of Activities
For the Year Ended December 31, 2006**

Net changes in fund balances - total propriety funds (1,754,516)

The change in net assets reported for business type activities in the
statement of activities is different because:

Internal Service Funds are included as business activities. 33,914

Changes in net assets of business type activities \$ (1,720,602)

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash & Equivalents - Unrestricted	<u>\$ 719,512</u>
 TOTAL ASSETS	 <u><u>\$ 719,512</u></u>
 LIABILITIES:	
Accounts Payable	\$ 3,788
Due to Other Funds	970
Accrued & Other Liabilities	7,704
Due to Other Governmental Units	<u>707,050</u>
 TOTAL LIABILITIES	 <u><u>\$ 719,512</u></u>

Component Unit Financial Statements

County of Wexford, Michigan

Statement of Net Assets Component Units December 31, 2006

	Cadillac- Wexford Transit Authority	Wexford County Airport Authority	Cadillac- Wexford Public Library	Wexford County Road Commission	Totals
ASSETS:					
<i>Current Assets:</i>					
Cash	\$ 369,862	\$ 128,742	\$ 373,393	\$ 561,739	\$ 1,433,736
Receivables:					
Accounts	15,198	12,369	5,683	1,221,864	1,255,114
Accrued Interest	26,852	-	-	-	26,852
Taxes	-	-	645,905	-	645,905
Due From Other Governments	168,047	33,201	-	-	201,248
Inventory	-	32,635	-	611,829	644,464
Prepaid Expenses	-	6,742	18,518	-	25,260
Total Current Assets	579,959	213,689	1,043,499	2,395,432	4,232,579
<i>Noncurrent Assets:</i>					
Capital Assets (Not Depreciated)	46,225	125,000	-	7,591,969	7,763,194
Capital Assets (Net of Accumulated Depreciation)	778,704	1,717,856	718,204	17,318,186	20,532,950
Total Noncurrent Assets	824,929	1,842,856	718,204	24,910,155	28,296,144
TOTAL ASSETS	\$ 1,404,888	\$ 2,056,545	\$ 1,761,703	\$ 27,305,587	\$ 32,528,723
LIABILITIES & NET ASSETS:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 25,581	\$ 1,932	\$ 3,392	\$ 38,920	\$ 69,825
Accrued Liabilities	27,096	2,735	17,727	70,250	117,808
Due to the State	-	-	-	821	821
Deferred Revenue	-	-	3,500	167,402	170,902
Capital Lease Payable	-	-	21,079	-	21,079
Installment Purchase Contracts Payable	-	-	-	3,101	3,101
Notes Payable	-	-	-	100,000	100,000
Total Current Liabilities	52,677	4,667	45,698	380,494	483,536
<i>Noncurrent Liabilities:</i>					
Advance from State	-	-	-	441,945	441,945
Notes Payable	-	-	-	300,000	300,000
Compensated Absences	70,154	-	65,414	244,093	379,661
Total Noncurrent Liabilities	70,154	-	65,414	986,038	1,121,606
TOTAL LIABILITIES	122,831	4,667	111,112	1,366,532	1,605,142
<i>Net Assets:</i>					
Invested in Capital Assets, net of related debt	824,929	1,842,856	697,125	24,507,054	27,871,964
Restricted for Public Library	-	-	18,025	-	18,025
Restricted for County Road	-	-	-	1,432,001	1,432,001
Unrestricted	457,128	209,022	935,441	-	1,601,591
TOTAL NET ASSETS	1,282,057	2,051,878	1,650,591	25,939,055	30,923,581
TOTAL LIABILITIES AND NET ASSETS	\$ 1,404,888	\$ 2,056,545	\$ 1,761,703	\$ 27,305,587	\$ 32,528,723

County of Wexford, Michigan

Statement of Activities Component Units For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Cadillac- Wexford Transit Authority	Wexford County Airport Authority	Cadillac- Wexford Public Library	Wexford County Road Commission	
Cadillac-Wexford Transit Authority:									
Public Works	\$ 1,568,158	\$ 254,156	\$ 765,589	\$ -	\$ (548,413)	\$ -	\$ -	\$ -	\$ (548,413)
Wexford County Airport Authority:									
Public Works	792,128	357,526	66,950	216,322	-	(151,330)	-	-	(151,330)
Cadillac-Wexford Public Library:									
Recreation and Culture	926,474	3,965	23,300	-	-	-	(899,209)	-	(899,209)
Wexford County Road Commission:									
Public Works	6,594,806	1,623,461	4,507,100	-	-	-	-	(464,245)	(464,245)
Total Component Units	<u>\$ 9,881,566</u>	<u>\$ 2,239,108</u>	<u>\$ 5,362,939</u>	<u>\$ 216,322</u>	<u>(548,413)</u>	<u>(151,330)</u>	<u>(899,209)</u>	<u>(464,245)</u>	<u>(2,063,197)</u>
General Revenues:									
Taxes					341,934	-	643,698	-	985,632
State Sources					-	-	291,408	-	291,408
Investment Earnings					1,878	3,884	26,102	49,029	80,893
Other					-	4,667	24,260	9,702	38,629
Total General Revenues					<u>343,812</u>	<u>8,551</u>	<u>985,468</u>	<u>58,731</u>	<u>1,396,562</u>
Changes in Net Assets					(204,601)	(142,779)	86,259	(405,514)	(666,635)
Net Assets - Beginning					1,486,658	2,194,657	1,564,332	26,344,569	31,590,216
Net Assets - Ending					<u>\$ 1,282,057</u>	<u>\$ 2,051,878</u>	<u>\$ 1,650,591</u>	<u>\$ 25,939,055</u>	<u>\$ 30,923,581</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Wexford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity

The County operates under an elected Board of Commissioners and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the County of Wexford and its component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governmental body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County of Wexford Building Authority – The Building Authority is a County created and directed authority, whose sole business activity is acquiring and leasing property to the County. The Building Authority operations consist of the issuance and repayment of debt and the construction of facilities. The financial statements of the Building Authority are consolidated with the financial statements of the County as follows:

- a. The assets of the Building Authority held for payment of outstanding bond issues are reported in the Debt Service Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. Fixed assets (completed construction projects) of the Building Authority are reported as capital assets in the statement of net assets.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Cadillac – Wexford Transit Authority – On June 23, 1981, the City of Cadillac and the County of Wexford created the Cadillac-Wexford Transit Authority, a separate legal and administrative unit of government pursuant to the Urban Cooperation Act. The purpose of the Transit Authority is to provide public transportation services to the general public within Wexford County. The Transit Authority began to provide transportation services on September 1, 1982. The Transit Authority is financed by state and federal subsidies as well as a countywide tax levy. The Authority has a September 30th year end. A complete financial report for the component unit can be obtained from the following:

Cadillac – Wexford Transit Authority
1202 N. Mitchell St.
Cadillac, Michigan 49601

Wexford County Airport Authority – The Wexford County Airport Authority was organized to own and operate the Wexford County Airport in Cadillac, Michigan. The Authority Board is composed of seven members, four of whom are appointed by Wexford County and three of whom are appointed by the City of Cadillac. A complete financial report for the component unit can be obtained from the following.

Wexford County Airport Authority
8040 W. 34 Rd.
Cadillac, Michigan 49601

Cadillac – Wexford Public Library – The Cadillac-Wexford Public Library provides library services to the Wexford County area from its facilities located in Cadillac. The Library is also responsible for operating the Tustin and Mesick Libraries, along with providing salaries and fringe benefits to the Manton Library. The Library Board consists of 10 members, four of whom are appointed by the City of Cadillac and six of whom are appointed by Wexford County. A complete financial report for the component unit can be obtained from the following:

Cadillac – Wexford Public Library
411 S. Lake St.
Cadillac, Michigan 49601

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Wexford County Road Commission – The Wexford County Road Commission is an independent governmental agency operated under the jurisdiction of the State of Michigan and Wexford County. The commission is charged with the responsibility of maintaining all primary and local road systems in Wexford County. A complete financial report for the component unit can be obtained from the following:

Wexford County Road Commission
85 W. M-115
Boon, Michigan 49618

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Wexford property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Wexford as of the preceding December 31st.

Although the County of Wexford 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Wexford's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2005 taxable valuation of the County of Wexford totaled \$852,971,999, on which ad valorem taxes levied consisted of 4.5552 mills for the County operating, .9265 mills for Public Safety, .3412 mills for Animal Control, and .9913 mills for Council on Aging, raising \$3,885,458 for operating, \$790,279 for Public Safety, \$291,034 for Animal Control, and \$845,551 for Council on Aging. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

The July 1, 2006 taxable valuation of the County of Wexford totaled \$908,740,439, on which ad valorem taxes levied consisted of 4.4746 mills for the General Fund, this amount is recognized in the General Fund as revenue.

The County utilized \$1,809,033 of the County operating levy for the Revenue Sharing Reserve. This amount was 1/3 of the County's operating levy in 2004.

The County reports the following major governmental funds:***General Fund***

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sharing Reserve

This fund was established to replace lost revenue sharing funds with County operating taxes.

Community Development Grant Program

This fund accounts for resources from HUD/MSHDA for the rehabilitation of lower income homes in the Wexford County area. Additional resources are received from loan paybacks that go back into the program for further home rehabilitation projects.

Council on Aging

This fund was established to collect and remit taxes levied to support programs and services to the elderly in Wexford County.

The County reports the following major proprietary funds:

Sanitary Landfill Fund

The Sanitary Landfill Fund is an Enterprise Fund operated by the Wexford County Department of Public Works. Located in Cedar Creek Township, the landfill is operated for the disposal of solid waste within Wexford County.

Unrestricted Treasurer's Fund

The Unrestricted Treasurer's Fund consists of the surplus accumulated through the collection, administration, and operation of each specific delinquent tax fund. Use of this fund is subject to guidelines set forth in Resolution 3-20, which was approved June 4, 2003 establishing the following priorities: (1) self-fund the delinquent tax distribution to various taxing units as opposed to borrowing, and (2) elimination of obligations for debt service where possible.

2005 Delinquent Tax Fund

The 2005 Delinquent Tax Fund was established to collect and receive the 2005 delinquent taxes along with the administration and operation of that specific tax year. The fund will be closed out after the reversion process has been completed.

Haring Township Water System Fund

The Haring Township water system fund accounts for the operations of the water system.

Internal Service Funds

These funds account for insurance services and DPW administration services as provided to other departments of the government on a cost reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Agency Funds***

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for tax collections and refuse disposal. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds except for the delinquent tax funds are allocated to each fund based on month end cash balance. The pooled investment income for the Delinquent Tax Funds is generally allocated to each fund based on the average daily cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Contract Receivables – Contract receivables represent special assessment revenue due from of the County’s residents in association with debt that was issued to construct water and sewer systems for the residents.

Inventories and Prepaid Items – All inventories, including the cost of supplies, except for the Civic Center are expensed when purchased. Inventory for the Civic Center is recorded at cost on the first in/first out method. Expenditures for insurance and similar services are expensed when paid.

Restricted Assets – Restricted assets consist of a letter of credit and other funds set aside for landfill bonding and closing maintenance and monitoring (See Note 13).

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	60 years
Building Improvements	10 years
Vehicles	10 years
Office Equipment	8 years
Computer Equipment	8 years

Compensated Absences (Vacation and Sick Leave) – It is the County’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A portion of the sick pay, depending on department, and all vacation pay is eligible to be paid out when employees separate from service with the County. The sick and vacation pay that is eligible to be paid out when employees separate from service with the County is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 5,992,403	\$ 6,429,046	\$ 12,421,449	\$ 719,512	\$ 1,433,736
Total	\$ 5,992,403	\$ 6,429,046	\$ 12,421,449	\$ 719,512	\$ 1,433,736

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 12,412,081	\$ 719,512	\$ 1,433,736
Petty Cash and Cash on Hand	<u>9,368</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,421,449</u>	<u>\$ 719,512</u>	<u>\$ 1,433,736</u>

	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Investments:					
U.S. Treasury	\$ 745,860	\$ 499,845	\$ 246,015	\$ -	\$ -
Municipal Bonds	400,000	-	400,000	-	-
Money Market	1,502,518	1,502,518	-	-	-
Asset Backed Securities	<u>521,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521,945</u>
Total Investments	<u>\$ 3,170,323</u>	<u>\$ 2,002,363</u>	<u>\$ 646,015</u>	<u>\$ -</u>	<u>\$ 521,945</u>

Government Activities	
Unrestricted	\$ 154,961
Business Activities:	
Unrestricted	1,667,805
Restricted	<u>1,347,557</u>
Total	<u>\$ 3,170,323</u>

Investment and Deposit Risk

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$3,170,323 investments, \$0 is not in the name of the County. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$12,774,907 of the County's bank balance of \$13,336,818 was exposed to credit risk because it was uninsured and uncollateralized. \$561,911 was uninsured and collateralized by the pledging financial institution.

As of year end, \$920,035 of the County's discretely comprised component units bank balance of \$1,552,113 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**FAIR VALUE OF INVESTMENT ACTIVITY**

Security	Stated Value	Fair Value 12/31/05	Purchase (Sale)	Fair Value 12/31/06
Fed. Homeloan, int. 2%, due 07/21/08	\$ 250,000	\$ 245,703	\$ 312	\$ 246,015
Fed. Nat. Mtg., int. 2.8%, due 11/13/06	850,000	836,187	(836,187)	-
Fed. Nat. Mtg., int. 5.5%, due 06/25/30	450,000	95,511	(28,744)	66,767
Fed. Homeloan, int. 5%, due 04/15/18	1,500,000	430,014	(61,052)	368,962
Govt. Nat. Mtg., int. 4.5%, due 04/16/27	200,000	198,296	(112,080)	86,216
Fed. Homeloan, int. 2.25%, due 07/28/06	1,000,000	986,880	(986,880)	-
Fed. Homeloan, int. 3.375% due 12/28/07	500,000	495,625	4,220	499,845

The County's deposits and investment policy are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 78,562	\$ -	\$ -	\$ 78,562
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,509,545	-	-	8,509,545
Equipment and furniture	1,703,192	185,492	-	1,888,684
Vehicles	784,715	-	(88,765)	695,950
Subtotal	10,997,452	185,492	(88,765)	11,094,179
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(1,718,342)	(136,729)	-	(1,855,071)
Equipment and furniture	(969,151)	(180,364)	-	(1,149,515)
Vehicles	(418,425)	(68,894)	83,830	(403,489)
Subtotal	(3,105,918)	(385,987)	83,830	(3,408,075)
Net Capital Assets Being Depreciated	7,891,534	(200,495)	(4,935)	7,686,104
Governmental Activity Capital Total				
Capital Assets - Net of Depreciation	\$ 7,970,096	\$ (200,495)	\$ (4,935)	\$ 7,764,666

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 97,806	\$ 51,900	\$ -	\$ 149,706
Construction in Progress	<u>3,715,525</u>	<u>-</u>	<u>(3,715,525)</u>	<u>-</u>
Subtotal	<u>3,813,331</u>	<u>51,900</u>	<u>(3,715,525)</u>	<u>149,706</u>
<i>Capital assets being depreciated:</i>				
Site improvements	3,506,011	6,392,203	-	9,898,214
Buildings and improvements	591,985	135,323	-	727,308
Vehicles	428,150	57,709	-	485,859
Machinery and equipment	1,285,457	29,783	-	1,315,240
Furniture and Fixtures	74,040	-	-	74,040
Water distribution system	<u>2,265,010</u>	<u>29,593</u>	<u>-</u>	<u>2,294,603</u>
Subtotal	<u>8,150,653</u>	<u>6,644,611</u>	<u>-</u>	<u>14,795,264</u>
<i>Less accumulated depreciation for:</i>				
Site improvements	(1,165,198)	(261,188)	-	(1,426,386)
Buildings and improvements	(68,014)	(21,097)	-	(89,111)
Vehicles	(373,898)	(65,301)	-	(439,199)
Machinery and equipment	(876,126)	(196,918)	-	(1,073,044)
Furniture and fixtures	(60,029)	(6,870)	-	(66,899)
Water distribution system	<u>(596,110)</u>	<u>(45,879)</u>	<u>-</u>	<u>(641,989)</u>
Subtotal	<u>(3,139,375)</u>	<u>(597,253)</u>	<u>-</u>	<u>(3,736,628)</u>
Net Capital Assets Being Depreciated	<u>5,011,278</u>	<u>6,047,358</u>	<u>-</u>	<u>11,058,636</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 8,824,609</u>	<u>\$ 6,099,258</u>	<u>\$ (3,715,525)</u>	<u>\$ 11,208,342</u>

Business-type activities include Internal Service fund DPW capital assets.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 161,772
Public Safety	166,986
Recreation and Culture	<u>57,229</u>
Total Governmental Activities	<u>\$ 385,987</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Business-type Activities:	
Landfill	\$ 510,474
Haring Township system	47,151
Internal Service, DPW Administration	11,541
Recycling	18,499
Aquatic Nuisance	782
Waste Water System #1 Lake Mitchell	3,076
Waste Water System #3 Haring Township	2,913
Waste Water System #4 Mesick	<u>2,817</u>
Total Governmental Activities	<u>\$ 597,253</u>

A summary of changes in the Transit Authority's capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 46,225	\$ -	\$ -	\$ 46,225
<i>Capital assets being depreciated:</i>				
Buildings	982,355	-	-	982,355
Buses	1,429,531	-	-	1,429,531
Other vehicles	45,439	10,956	(20,661)	35,734
Bus and garage equipment	150,072	495	-	150,567
Office equipment	<u>68,764</u>	<u>5,476</u>	<u>(3,528)</u>	<u>70,712</u>
Total capital assets being depreciated	<u>2,676,161</u>	<u>16,927</u>	<u>(24,189)</u>	<u>2,668,899</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(501,569)	(49,219)	-	(550,788)
Buses	(979,584)	(149,299)	-	(1,128,883)
Other vehicles	(35,966)	(4,154)	14,204	(25,916)
Bus and garage equipment	(118,690)	(11,137)	-	(129,827)
Office equipment	<u>(51,809)</u>	<u>(6,500)</u>	<u>3,528</u>	<u>(54,781)</u>
Total accumulated depreciation	<u>(1,687,618)</u>	<u>(220,309)</u>	<u>17,732</u>	<u>(1,890,195)</u>
Total capital assets being depreciated	<u>988,543</u>	<u>(203,382)</u>	<u>(6,457)</u>	<u>778,704</u>
Business-type activities capital assets, net	<u>\$ 1,034,768</u>	<u>\$ (203,382)</u>	<u>\$ (6,457)</u>	<u>\$ 824,929</u>

Depreciation expense was allocated entirely to Public Works.

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Airport Authority's capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
<i>Capital assets being depreciated:</i>				
Buildings	1,438,036	-	-	1,438,036
Land improvement	2,684,998	8,674	-	2,693,672
Office equipment and furniture	8,722	-	-	8,722
Machinery and equipment	<u>257,466</u>	<u>-</u>	<u>-</u>	<u>257,466</u>
Total capital assets being depreciated	<u>4,389,222</u>	<u>8,674</u>	<u>-</u>	<u>4,397,896</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(631,016)	(43,918)	-	(674,934)
Land improvement	(1,632,875)	(133,337)	-	(1,766,212)
Office equipment and furniture	(7,690)	(473)	-	(8,163)
Machinery and equipment	<u>(222,378)</u>	<u>(8,353)</u>	<u>-</u>	<u>(230,731)</u>
Total accumulated depreciation	<u>(2,493,959)</u>	<u>(186,081)</u>	<u>-</u>	<u>(2,680,040)</u>
Total capital assets being depreciated	<u>1,895,263</u>	<u>(177,407)</u>	<u>-</u>	<u>1,717,856</u>
Governmental activities capital assets, net	<u>\$ 2,020,263</u>	<u>\$ (177,407)</u>	<u>\$ -</u>	<u>\$ 1,842,856</u>

Depreciation expense was allocated entirely to Public Works.

A summary of changes in the Library's capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Books	\$ 2,200,475	\$ 55,986	\$ (34,781)	\$ 2,221,680
Furniture and fixtures	206,640	190,296	(13,450)	383,486
Equipment	195,590	6,725	(53,365)	148,950
Leasehold improvements	<u>1,586</u>	<u>119,003</u>	<u>-</u>	<u>120,589</u>
Subtotal	2,604,291	372,010	(101,596)	2,874,705
<i>Less Accumulated depreciation</i>	<u>(2,066,050)</u>	<u>(179,654)</u>	<u>89,203</u>	<u>(2,156,501)</u>
Net capital assets being depreciated	<u>\$ 538,241</u>	<u>\$ 192,356</u>	<u>\$ (12,393)</u>	<u>\$ 718,204</u>

Depreciation for the fiscal year ended December 31, 2006 amounted to \$179,654, which was entirely allocated to Recreation and Culture.

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of changes in the Road Commission's capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land and improvements-infrastructure	\$ 7,366,204	\$ 190,970	\$ -	\$ 7,557,174
Land and improvements-other	<u>34,795</u>	<u>-</u>	<u>-</u>	<u>34,795</u>
Subtotal	<u>7,400,999</u>	<u>190,970</u>	<u>-</u>	<u>7,591,969</u>
<i>Capital assets being depreciated:</i>				
Land and improvements	177,637	-	-	177,637
Depletable assets	70,392	-	-	70,392
Buildings	2,444,091	-	-	2,444,091
Road equipment	6,490,689	472,565	(221,497)	6,741,757
Shop equipment	324,563	19,766	-	344,329
Office equipment	76,131	2,315	-	78,446
Engineers equipment	39,930	-	-	39,930
Infrastructure-bridges	3,972,246	18,951	-	3,991,197
Infrastructure-roads	<u>21,321,907</u>	<u>986,561</u>	<u>-</u>	<u>22,308,468</u>
Subtotal	<u>34,917,586</u>	<u>1,500,158</u>	<u>(221,497)</u>	<u>36,196,247</u>
<i>Less accumulated depreciation for:</i>				
Land and improvements	(105,493)	(5,966)	-	(111,459)
Depletable assets	(60,518)	-	-	(60,518)
Buildings	(1,149,231)	(70,378)	-	(1,219,609)
Road equipment	(5,035,294)	(621,423)	221,419	(5,435,298)
Shop equipment	(272,969)	(21,318)	-	(294,287)
Office equipment	(58,334)	(6,663)	-	(64,997)
Engineers equipment	(34,675)	(2,170)	-	(36,845)
Infrastructure-bridges	(1,128,006)	(102,229)	-	(1,230,235)
Infrastructure-roads	<u>(9,122,824)</u>	<u>(1,301,989)</u>	<u>-</u>	<u>(10,424,813)</u>
Subtotal	<u>(16,967,344)</u>	<u>(2,132,136)</u>	<u>221,419</u>	<u>(18,878,061)</u>
Net capital assets being depreciated	<u>17,950,242</u>	<u>(631,978)</u>	<u>(78)</u>	<u>17,318,186</u>
Total net capital assets	<u>\$ 25,351,241</u>	<u>\$ (441,008)</u>	<u>\$ (78)</u>	<u>\$ 24,910,155</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Non-infrastructure depreciation expense for the year was charged to programs of the Wexford County Road Commission as follows:

Primary Road:	
Preservation	\$ 7,231
Maintenance	103,283
Local Road:	
Preservation	4,931
Maintenance	405,507
Winter Maintenance	21,952
State Trunkline:	
Maintenance	172,622
Administrative	<u>12,392</u>
Total Non-Infrastructure Depreciation Expense	<u>\$ 727,918</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Wexford reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds.

ADVANCES FROM OTHER FUND	ADVANCES TO OTHER FUNDS
	Unrestricted Treasurer's Fund
2005 Delinquent Tax Fund	<u>\$ 2,600,000</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers

	TRANSFERS (OUT)					
	General Fund	Revenue Sharing Reserve	Unrestricted Treasurer's Fund	Nonmajor Enterprise Funds	All Others	Total
General Fund	\$ -	\$ 575,239	\$ 58,245	\$ -	\$ 926,429	\$ 1,559,913
Unrestricted Treasurer's Fund	-	-	-	2,500,000	-	2,500,000
All Others	<u>1,008,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,419</u>
Total	<u>\$ 1,008,419</u>	<u>\$ 575,239</u>	<u>\$ 58,245</u>	<u>\$ 2,500,000</u>	<u>\$ 926,429</u>	<u>\$ 5,068,332</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LEASES

Capital Leases – The County leases vehicles and equipment under capital leases with yearly lease payments ranging from \$2,374 to \$16,800, including interest rates ranging from 4.00% to 6.95%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2007	\$ 203,625
2008	322,477
2009	46,071
2010	46,071
2011	46,071
2012	<u>34,552</u>
Total minimum lease payments	698,867
Less amount representing interest	<u>(46,697)</u>
Present value of minimum lease payment	<u>\$ 652,170</u>

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases/ Decreases	Ending Balance	Due Within One Year
Governmental Activities						
Series 2002 Building Authority Bonds	4.75% - 7.75%	2032	\$ 4,560,000	\$ (85,000)	\$ 4,475,000	\$ 90,000
Series 1995A, Sanitary Sewer, Special Assessment Bond, (Village of Mesick Project)	4.50%	2025	270,000	(9,000)	261,000	9,000
Series 1995B, Sanitary Sewer, Special Assessment Bond, (Village of Mesick Project)	4.50%	2025	150,000	(5,000)	145,000	5,000
Series 1996, Water Supply System, Special Assessment Bond (Haring Charter Township)	5.3% - 7.4%	2016	185,000	(10,000)	175,000	15,000
Total Governmental Activities			<u>\$ 5,165,000</u>	<u>\$ (109,000)</u>	<u>\$ 5,056,000</u>	<u>\$ 119,000</u>
Business-Type Activities						
Series 1996 Water Supply System Bond (Haring Charter Township)	5.6%-7.4%	2026	680,000	(15,000)	665,000	20,000
Total Business-Type Activities			<u>\$ 680,000</u>	<u>\$ (15,000)</u>	<u>\$ 665,000</u>	<u>\$ 20,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 119,000	\$ 262,280	\$ 20,000	\$ 40,410
2008	119,000	253,865	20,000	39,185
2009	125,000	245,204	20,000	38,065
2010	131,000	236,096	20,000	36,925
2011	137,000	226,547	25,000	35,775
2012-2016	795,000	974,664	135,000	156,550
2017-2021	889,000	758,376	180,000	111,003
2022-2026	1,121,000	520,076	245,000	47,434
2027-2031	1,310,000	235,601	-	-
2032	310,000	7,362	-	-
Total	<u>\$ 5,056,000</u>	<u>\$ 3,720,071</u>	<u>\$ 665,000</u>	<u>\$ 505,347</u>

NOTE 7 - LONG-TERM DEBT (Continued)

A summary of vested benefits payable at December 31, 2006 is as follows:

Vacation	\$ 229,576
Sick Leave	<u>101,096</u>
TOTALS	<u>\$ 330,672</u>

Defeased Debt – During 2003, the County defeased \$1,780,000 of outstanding 1998 Building Authority bonds with an average interest rate of 4.83 percent. In order to defease the bonds, \$1,949,955 was transferred from the Unrestricted Delinquent Tax Fund to the Civic Center Debt Service Fund. This amount was then used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Building Authority bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statement of net assets.

Component Units – Long-term debt of the component units consists of an installment purchase contracts for \$3,101, capital lease for \$21,079, and a note payable for \$400,000, maturing through July 2010, and bearing interest at rates ranging from 0 percent to 10.43 percent. Of these amounts, \$124,180 is due within one year.

NOTE 8 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2006.

In the normal course of its operations, Wexford County often becomes a party to various claims and lawsuits. In the opinion of management and legal counsel, if any of these claims should result in an unfavorable resolution, the liability would be limited to its deductible under insurance policies. The insurer would pay the losses and there should be no material effect on the financial position of the County.

Landfill

In 2002 with 6 years of site life remaining, groundwater contamination was identified beyond the site's RAP monitoring well network to the north; eliminating the possibility of expansion until the site received an approved modified RAP from the MDEQ addressing the new contamination plume. Therefore, the expansion of the facility (planned for 2004/2005) was postponed until delineation and remediation of the contamination plume was completed.

A final RAP has been submitted to the MDEQ in the amount of \$4,040,092 and approval is expected. The selected remedy is installation of public water supply (PWS) to impacted residents of Cedar Creek Township north of the landfill. The Department of Public Works (DPW) has submitted a Drinking Water Revolving Fund Project Plan in an effort to determine the DPW's eligibility for a \$16.9 million low-interest loan to cover the cost of the PWS, design costs and preliminary costs associated with planning and investigation for the PWS.

Litigation was initiated against the County in September of 2006 alleging ground water contamination caused by the County Sanitary Landfill. It is premature to give any definitive assessment of any potential loss associated with this case.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**Description of Plan and Plan Assets**

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2005.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the year ended December 31, 2006, the County's contributions totaling \$583,337 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2003	2004	2005
Actuarial Value of Assets	\$ 10,828,129	\$ 11,710,754	\$ 12,599,042
Actuarial Accrued Liability	14,647,321	16,235,050	17,366,827
Unfunded AAL	3,819,192	4,524,296	4,767,785
Funded Ratio	74%	72%	73%
Covered Payroll	4,955,665	5,217,560	5,255,017
UAAL as a Percentage of Covered Payroll	77%	87%	91%

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 434,961	100%	0
2005	529,189	100%	0
2006	583,337	100%	0

ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission has an agent, multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty – connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 220 of Public Acts of 1996, as amended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road commission's competitive bargaining unit and personnel policy, which requires non-administrative employees to contribute to the plan at a rate of 2% and administrative employees to contribute at a rate of 2%. The Road Commission is required to contribute at an actuarially determined rate; the current rate was 18.15% and 26.01% for non-administrative and administrative employees, respectfully.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the fiscal year ended December 31, 2006, the Road Commission's contributions totaling \$326,646 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 5,938,257	\$ 6,092,059	\$ 6,261,397
Actuarial Accrued Liability	8,434,677	9,026,952	9,466,122
Unfunded AAL	2,496,420	2,934,893	3,204,725
Funded Ratio	70%	67%	66%
Covered Payroll	1,518,589	1,579,967	1,622,748
UAAL as a Percentage of Covered Payroll	164%	186%	197%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 292,133	100%	0
2005	313,542	100%	0
2006	326,646	100%	0

CADILLAC – WEXFORD PUBLIC LIBRARY

The Cadillac – Wexford Public Library participates in the agent multiple-employer Michigan Municipal Employees Retirement System (the "System") through the City of Cadillac. Separate information on pension funding for the Library's employees is not available. Complete pension disclosure for the Plan may be obtained from the City of Cadillac's comprehensive annual financial report.

NOTE 11 - POST EMPLOYMENT BENEFITS

The County provides health care, prescription, and dental benefits to all full-time employees upon retirement. Currently, 30 retirees are eligible. The County includes pre-Medicare retirees and their dependents in its insured health care plan. The County charges the retirees a monthly fee to participate. During the year ended December 31, 2006 the County paid out approximately \$117,540 more in claims than received from retirees.

NOTE 12 - RESTRICTED NET ASSETS

The net assets of the governmental activities have been restricted for the following purposes:

	<u>Governmental Activities</u>
Public safety	\$ 7,401
Grants and contributions	363,287
Animal control	326,494
Court building activities	7,994
911 wireless activities	332,303
Building inspection	8,589
Register of deeds technology	10,472
Debt service	300,472
Revenue Sharing	<u>4,091,603</u>
Total restricted net assets	<u>\$ 5,448,615</u>

NOTE 13 - RESTRICTED ASSETS

The County's restricted assets are comprised of the following:

Investments restricted for perpetual care	<u>\$ 1,347,557</u>
Total restricted assets	<u>\$ 1,347,557</u>

The investments restricted for perpetual care consist of funds set aside for closure, monitoring, and maintenance of the landfill and for response activity necessitated by potential contamination discharge from the landfill. Restricted assets are intended to pay for closure and postclosure costs. The liability associated with these costs is larger than the amount of restricted assets; therefore, net assets have not been restricted.

The operator of the landfill is required to designate a custodian of the fund and deposit amounts into the fund based on the volume and the type of material deposited in the landfill. The custodian is not to disburse any amount of the fund to the operator of the landfill without the approval of the director of the Department of Natural Resources. Thirty years after the closure of the landfill, 50 percent of any money in the Perpetual Care Fund may be returned to the operator.

NOTE 13 - RESTRICTED ASSETS (Continued)

To comply with this act, the landfill contracted with the director of the Department of Natural Resources to establish a Perpetual Care Fund with Bank One Trust and JP Morgan Company as the designated custodian. The landfill has begun to make the required deposits into a separate savings account and will continue to do so until the contract with the Department of Natural Resources is completed.

Landfill – Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$8,800,587 reported as landfill closure and postclosure care liability at December 31, 2006 represents the cumulative amount reported to date based on the use of approximately 79 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of approximately \$2,710,413 as the remaining estimated capacity is filled. The estimated remaining life of the landfill based on current consumption of the cells in use is 5 years.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County expects that future costs, including inflation and changes in technology or applicable laws and regulation, will be paid from cash and investments maintained in the Sanitary Landfill Enterprise, as well as charges to future landfill users.

NOTE 14 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes for subsequent year	\$ -	\$ 2,381,999
Community development program income	1,082,582	-
Special assessments	<u>338,183</u>	<u>-</u>
Total	<u>\$ 1,420,765</u>	<u>\$ 2,381,999</u>

Required Supplementary Information

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 6,033,658	\$ 6,058,658	\$ 6,323,983	\$ 265,325
Licenses & Permits	5,010	6,210	2,682	(3,528)
Intergovernmental Revenue:				-
Federal	662,594	740,778	679,100	(61,678)
State	772,725	801,074	822,118	21,044
Local Units	7,500	7,500	7,969	469
Charges for Services	1,162,113	1,162,113	1,182,528	20,415
Fines & Forfeitures	51,350	51,350	39,166	(12,184)
Interest & Rents	106,115	106,115	159,194	53,079
Other Revenue	539,000	539,000	664,643	125,643
TOTAL REVENUES	9,340,065	9,472,798	9,881,383	408,585
EXPENDITURES:				
Legislative:				
Board of Commissioners	52,304	52,304	51,738	566
Judicial:				
Circuit Court	270,967	270,519	263,180	7,339
District Court	588,693	587,340	559,161	28,179
Friend of the Court	700,133	698,933	664,243	34,690
Jury Commission	3,550	4,550	2,845	1,705
Probate Court	540,616	540,646	514,374	26,272
Probation and Parole	16,867	4,097	2,014	2,083
Circuit Court Family Counsel	52,855	53,193	52,890	303
Public Defender	231,445	232,560	230,612	1,948
Total Judicial	2,405,126	2,391,838	2,289,319	102,519
General Government:				
Administrative	161,712	162,573	159,223	3,350
Elections	38,750	38,550	30,171	8,379
General Accounting Office	155,871	155,871	152,218	3,653
County Clerk	225,164	224,514	221,547	2,967
Equalization	310,345	310,457	307,874	2,583
Prosecuting Attorney	411,373	412,818	397,521	15,297
Register of Deeds	196,975	196,974	194,709	2,265
State Survey - Remonumentation	36,105	58,978	58,978	-
County Treasurer	238,684	238,684	231,381	7,303
Cooperative Extension	88,891	88,891	85,192	3,699
County Building & Grounds	511,724	526,079	514,618	11,461
Drain Commission	18,803	21,506	20,696	810
General Services Administration	469,982	482,936	472,447	10,489
Total General Government	2,864,379	2,918,831	2,846,575	72,256

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Public Safety:				
Sheriff	1,657,169	1,687,361	1,685,011	2,350
School Liaison	66,604	67,369	67,192	177
Secondary Road	106,129	108,119	108,061	58
Communications/Dispatch	608,981	619,131	612,271	6,860
Marine	20,070	20,364	18,795	1,569
Federal Forest	3,500	2,213	2,213	-
Snowmobile	20,375	27,880	25,775	2,105
ORV Grant	13,414	17,936	16,976	960
Jail	1,487,206	1,568,869	1,559,247	9,622
Emergency Management	42,418	104,933	53,810	51,123
Total Public Safety	4,025,866	4,224,175	4,149,351	74,824
Health & Welfare:				
Contagious Diseases	1,000	1,000	761	239
Medical Examiner	70,000	70,000	58,377	11,623
Veterans Burial and Foundations	20,000	20,000	12,300	7,700
Total Health & Welfare	91,000	91,000	71,438	19,562
Community & Economic Development				
Planning & Zoning	43,662	66,719	65,987	732
Other Expenditures:				
Appropriations	559,725	559,725	559,434	291
Capital Outlay:				
Equipment	-	3,444	2,393	1,051
TOTAL EXPENDITURES	10,042,062	10,308,036	10,036,235	271,801
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(701,997)	(835,238)	(154,852)	680,386
Other Financing Sources (Uses):				
Operating Transfers In	1,558,957	1,558,957	1,559,913	956
Operating Transfers Out	(838,419)	(1,067,869)	(1,008,419)	59,450
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 18,541	\$ (344,150)	396,642	\$ 740,792
FUND BALANCE, JANUARY 1			1,810,036	
FUND BALANCE, DECEMBER 31			\$ 2,206,678	

Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 1,919,925	\$ 1,919,925	\$ 1,809,033	\$ (110,892)
Interest & Rentals	-	-	85,961	85,961
 TOTAL REVENUES	 1,919,925	 1,919,925	 1,894,994	 (24,931)
 OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(574,683)	(575,239)	(575,239)	-
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 \$ 1,345,242	 \$ 1,344,686	 1,319,755	 \$ (24,931)
 FUND BALANCE, JANUARY 1			2,771,848	
 FUND BALANCE, DECEMBER 31			\$ 4,091,603	

Required Supplementary Information
Budgetary Comparison Schedule
Community Development Grant Program
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
REVENUES:				
Federal Sources	\$ 400,000	347,122	63,262	\$ (283,860)
Interest & Rentals	-	-	1,503	1,503
Other Revenue	9,000	61,878	48,366	(13,512)
 TOTAL REVENUES	 409,000	 409,000	 113,131	 (295,869)
 EXPENDITURES:				
Community & Economic Development	409,000	409,000	111,630	297,370
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 \$ - <u> </u>	 \$ - <u> </u>	 1,501	 \$ 1,501 <u> </u>
 FUND BALANCE, JANUARY 1			 15,598 <u> </u>	
 FUND BALANCE, DECEMBER 31			 \$ 17,099 <u> </u>	

Required Supplementary Information
Budgetary Comparison Schedule
Council on Aging
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 845,000	\$ 845,000	\$ 733,970	\$ (111,030)
State Sorces	3,000	3,000	10,811	7,811
TOTAL REVENUES	848,000	848,000	744,781	(103,219)
EXPENDITURES:				
Health & Welfare	848,000	848,000	767,125	80,875
EXCESS (DEFICIENCY) OF REVENUES AND OTHER				
FINANCING SOURCES OVER EXPENDITURES AND				
OTHER FINANCING USES	\$ -	\$ -	(22,344)	\$ (22,344)
FUND BALANCE, JANUARY 1			97,542	
FUND BALANCE, DECEMBER 31			\$ 75,198	

Other Supplementary Information

County of Wexford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds						
	Public Safety	Civic Center	Friend of the Court	Animal Control	Court Security	Public Improvement	Building Inspection
ASSETS:							
Cash & Equivalents - Unrestricted	\$ 7,401	\$ 26,962	\$ 1,742	\$ 332,053	\$ 11,552	\$ 13,272	\$ 13,371
Investments - Unrestricted	-	-	-	-	-	-	-
Accounts Receivable	-	5,191	-	-	-	-	-
Taxes Receivable	871,527	-	-	321,088	-	-	-
Special Assessments Receivable	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-
Prepaid Expenditure	-	-	-	-	-	-	761
Inventories	-	3,848	-	-	-	-	-
TOTAL ASSETS	<u>\$ 878,928</u>	<u>\$ 36,001</u>	<u>\$ 1,742</u>	<u>\$ 653,141</u>	<u>\$ 11,552</u>	<u>\$ 13,272</u>	<u>\$ 14,132</u>
LIABILITIES:							
Accounts Payable	\$ -	\$ 5,028	\$ -	\$ 2,582	\$ 2,679	\$ 749	\$ 2,433
Due to Governmental Units	-	-	-	-	-	-	-
Accrued Liabilities	-	2,180	-	2,977	879	-	3,110
Deferred Revenue	871,527	-	-	321,088	-	-	-
TOTAL LIABILITIES	<u>871,527</u>	<u>7,208</u>	<u>-</u>	<u>326,647</u>	<u>3,558</u>	<u>749</u>	<u>5,543</u>
FUND BALANCES:							
Unreserved							
Undesignated	7,401	28,793	1,742	326,494	7,994	12,523	8,589
TOTAL FUND BALANCES	<u>7,401</u>	<u>28,793</u>	<u>1,742</u>	<u>326,494</u>	<u>7,994</u>	<u>12,523</u>	<u>8,589</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 878,928</u>	<u>\$ 36,001</u>	<u>\$ 1,742</u>	<u>\$ 653,141</u>	<u>\$ 11,552</u>	<u>\$ 13,272</u>	<u>\$ 14,132</u>

County of Wexford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds						
	Homestead Audit	Register of Deeds Automation	Community Alternative Program	911 Wireless	Family Counseling Service	Law Library	Michigan Justice Training
ASSETS:							
Cash & Equivalents - Unrestricted	\$ 5,876	\$ 10,472	\$ 199,405	\$ 150,020	\$ 766	\$ 955	\$ 6,817
Investments - Unrestricted	-	-	-	154,961	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-	-
Due from Governmental Units	-	-	30,722	29,306	-	-	-
Prepaid Expenditure	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 5,876</u>	<u>\$ 10,472</u>	<u>\$ 230,127</u>	<u>\$ 334,287</u>	<u>\$ 766</u>	<u>\$ 955</u>	<u>\$ 6,817</u>
LIABILITIES:							
Accounts Payable	\$ -	\$ -	\$ 12,015	\$ 1,984	\$ -	\$ 331	\$ -
Due to Governmental Units	-	-	-	-	-	-	-
Accrued Liabilities	-	-	2,695	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>14,710</u>	<u>1,984</u>	<u>-</u>	<u>331</u>	<u>-</u>
FUND BALANCES:							
Unreserved							
Undesignated	5,876	10,472	215,417	332,303	766	624	6,817
TOTAL FUND BALANCES	<u>5,876</u>	<u>10,472</u>	<u>215,417</u>	<u>332,303</u>	<u>766</u>	<u>624</u>	<u>6,817</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,876</u>	<u>\$ 10,472</u>	<u>\$ 230,127</u>	<u>\$ 334,287</u>	<u>\$ 766</u>	<u>\$ 955</u>	<u>\$ 6,817</u>

County of Wexford, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenues					Debt Service Funds	
	Department of Human Services	Juvenile Justice	Child Care	Soldiers & Sailors Relief	Veterans Trust	Courthouse Expansion	Mesick Project
ASSETS:							
Cash & Equivalents - Unrestricted	\$ 266,758	\$ 6,479	\$ 118,236	\$ 9,510	\$ 1,013	\$ 21,570	\$ 259,023
Investments - Unrestricted	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-	206,443
Due from Governmental Units	-	1,356	-	-	-	-	-
Prepaid Expenditure	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 266,758</u>	<u>\$ 7,835</u>	<u>\$ 118,236</u>	<u>\$ 9,510</u>	<u>\$ 1,013</u>	<u>\$ 21,570</u>	<u>\$ 465,466</u>
LIABILITIES:							
Accounts Payable	\$ -	\$ -	\$ 47,168	\$ -	\$ -	\$ -	\$ -
Due to Governmental Units	160,000	-	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	206,443
TOTAL LIABILITIES	<u>160,000</u>	<u>-</u>	<u>47,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,443</u>
FUND BALANCES:							
Unreserved							
Undesignated	106,758	7,835	71,068	9,510	1,013	21,570	259,023
TOTAL FUND BALANCES	<u>106,758</u>	<u>7,835</u>	<u>71,068</u>	<u>9,510</u>	<u>1,013</u>	<u>21,570</u>	<u>259,023</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 266,758</u>	<u>\$ 7,835</u>	<u>\$ 118,236</u>	<u>\$ 9,510</u>	<u>\$ 1,013</u>	<u>\$ 21,570</u>	<u>\$ 465,466</u>

	Debt Service Funds		
	Haring Twp Water System	DPW #3 Haring Twp	Totals
ASSETS:			
Cash & Equivalents - Unrestricted	\$ 19,879	\$ -	\$ 1,483,132
Investments - Unrestricted	-	-	154,961
Accounts Receivable	-	-	5,191
Taxes Receivable	-	-	1,192,615
Special Assessments Receivable	131,740	-	338,183
Due from Governmental Units	-	-	61,384
Prepaid Expenditure	-	-	761
Inventories	-	-	3,848
TOTAL ASSETS	<u>\$ 151,619</u>	<u>\$ -</u>	<u>\$ 3,240,075</u>
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ 74,969
Due to Governmental Units	-	-	160,000
Accrued Liabilities	-	-	11,841
Deferred Revenue	131,740	-	1,530,798
TOTAL LIABILITIES	<u>131,740</u>	<u>-</u>	<u>1,777,608</u>
FUND BALANCES:			
Unreserved			
Undesignated	19,879	-	1,462,467
TOTAL FUND BALANCES	<u>19,879</u>	<u>-</u>	<u>1,462,467</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 151,619</u>	<u>\$ -</u>	<u>\$ 3,240,075</u>

County of Wexford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds						
	Public Safety	Civic Center	Friend of the Court	Animal Control	Court Security	Public Improvement	Building Inspection
REVENUES:							
Taxes	\$ 786,184	\$ -	\$ -	\$ 289,385	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-	-
Licenses & Permits	-	-	-	4,779	-	-	-
Intergovernmental Revenue:							
Federal Sources	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-
Local Sources	-	-	9,030	-	-	-	-
Charges for Services	-	328,997	14,850	15,864	66,215	-	270,138
Fines & Forfeitures	-	-	-	-	-	-	-
Interest & Rentals	13,523	-	604	15,688	883	-	339
Other Revenue	-	-	-	737	98	55,847	1,228
TOTAL REVENUES	799,707	328,997	24,484	326,453	67,196	55,847	271,705
EXPENDITURES:							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	235,173	83,666	-	301,965
Health and Welfare	-	-	-	-	-	-	-
Recreation and Culture	-	365,825	-	-	-	-	-
Capital Outlay	-	-	-	1,400	-	127,578	-
Debt Service	-	52,647	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	418,472	-	236,573	83,666	127,578	301,965
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	799,707	(89,475)	24,484	89,880	(16,470)	(71,731)	(30,260)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	80,000	-	-	-	-	20,000
Operating Transfers Out	(792,679)	-	(25,000)	(71,820)	-	(11,930)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	7,028	(9,475)	(516)	18,060	(16,470)	(83,661)	(10,260)
FUND BALANCES, JANUARY 1	373	38,268	2,258	308,434	24,464	96,184	18,849
FUND BALANCES, DECEMBER 31	\$ 7,401	\$ 28,793	\$ 1,742	\$ 326,494	\$ 7,994	\$ 12,523	\$ 8,589

County of Wexford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds						
	Homestead	Register	Community		Family		Michigan
	Audit	of Deeds	Alternative	911	Counseling	Law	Justice
REVENUES:		Automation	Program	Wireless	Service	Library	Training
Taxes	\$ 2,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-	-
Licenses & Permits	-	-	-	-	4,230	-	-
Intergovernmental Revenue:							
Federal Sources	-	-	137,270	-	-	-	-
State Sources	-	-	81,963	126,416	-	-	5,467
Local Sources	-	-	-	-	-	-	-
Charges for Services	-	48,365	3,936	-	-	-	-
Fines & Forfeitures	-	-	18,365	-	-	-	-
Interest & Rentals	-	2,210	8,204	9,750	145	-	-
Other Revenue	-	-	119,639	-	-	3,500	-
TOTAL REVENUES	2,789	50,575	369,377	136,166	4,375	3,500	5,467
EXPENDITURES:							
General Government	4,983	124,538	-	-	-	22,483	-
Public Safety	-	-	370,944	6,324	-	-	3,900
Health and Welfare	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-
Capital Outlay	-	-	3,000	90,227	-	-	-
Debt Service	-	-	-	-	-	-	-
Other Expenditures	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,983	124,538	373,944	96,551	-	22,483	3,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,194)	(73,963)	(4,567)	39,615	4,375	(18,983)	1,567
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	-	-	-	17,500	-
Operating Transfers Out	-	-	-	(20,000)	(5,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(2,194)	(73,963)	(4,567)	19,615	(625)	(1,483)	1,567
FUND BALANCES, JANUARY 1	8,070	84,435	219,984	312,688	1,391	2,107	5,250
FUND BALANCES, DECEMBER 31	\$ 5,876	\$ 10,472	\$ 215,417	\$ 332,303	\$ 766	\$ 624	\$ 6,817

County of Wexford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2006

						Debt Service Funds	
	Department of Human Services	Juvenile Justice	Child Care	Soldiers & Sailors Relief	Veterans Trust	Courthouse Expansion	Mesick Project
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-	-	38,686
Licenses & Permits	-	-	-	-	-	-	-
Intergovernmental Revenue:							
Federal Sources	-	-	-	-	-	-	-
State Sources	829,845	12,906	161,357	-	630	-	-
Local Sources	-	-	43,942	-	-	-	-
Charges for Services	-	-	849	-	-	-	-
Fines & Forfeitures	-	-	-	-	-	-	-
Interest & Rentals	7,375	-	4,226	-	-	-	11,217
Other Revenue	-	-	-	-	-	-	-
TOTAL REVENUES	837,220	12,906	210,374	-	630	-	49,903
EXPENDITURES:							
General Government	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Health and Welfare	826,592	12,906	774,244	10,813	3,400	-	-
Recreation and Culture	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	325,918	32,586
Other Expenditures	-	-	-	-	-	275	-
TOTAL EXPENDITURES	826,592	12,906	774,244	10,813	3,400	326,193	32,586
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,628	-	(563,870)	(10,813)	(2,770)	(326,193)	17,317
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	2,000	-	550,000	12,000	-	326,919	-
Operating Transfers Out	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	12,628	-	(13,870)	1,187	(2,770)	726	17,317
FUND BALANCES, JANUARY 1	94,130	7,835	84,938	8,323	3,783	20,844	241,706
FUND BALANCES, DECEMBER 31	\$ 106,758	\$ 7,835	\$ 71,068	\$ 9,510	\$ 1,013	\$ 21,570	\$ 259,023

County of Wexford, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Debt Service Funds		Totals
	Haring Twp Water System	DPW #3 Haring Twp	
REVENUES:			
Taxes	\$ -	\$ -	\$ 1,078,358
Special Assessments	21,171	18,674	78,531
Licenses & Permits	-	-	9,009
Intergovernmental Revenue:			
Federal Sources	-	-	137,270
State Sources	-	-	1,218,584
Local Sources	-	-	52,972
Charges for Services	-	-	749,214
Fines & Forfeitures	-	-	18,365
Interest & Rentals	851	6,405	81,420
Other Revenue	-	-	181,049
TOTAL REVENUES	22,022	25,079	3,604,772
EXPENDITURES:			
General Government	-	-	152,004
Public Safety	-	-	1,001,972
Health and Welfare	-	-	1,627,955
Recreation and Culture	-	-	365,825
Capital Outlay	-	-	222,205
Debt Service	20,728	-	431,879
Other Expenditures	725	262,925	263,925
TOTAL EXPENDITURES	21,453	262,925	4,065,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	569	(237,846)	(460,993)
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	-	1,008,419
Operating Transfers Out	-	-	(926,429)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	569	(237,846)	(379,003)
FUND BALANCES, JANUARY 1	19,310	237,846	1,841,470
FUND BALANCES, DECEMBER 31	\$ 19,879	\$ -	\$ 1,462,467

County of Wexford, Michigan**Combining Statement of Net Assets
Internal Service Funds
December 31, 2006**

	Self- Insurance	DPW Administration	Total
ASSETS:			
Cash & Investments	\$ 328,838	\$ 101,469	\$ 430,307
Prepaid Premiums	69,036	-	69,036
Capital Assets (Net of Depreciation)	-	46,168	46,168
TOTAL ASSETS	\$ 397,874	\$ 147,637	\$ 545,511
LIABILITIES:			
Accounts Payable	\$ 15,660	\$ 6,071	\$ 21,731
Accrued Liabilities	-	2,518	2,518
Capital Leases		35,177	35,177
TOTAL LIABILITIES	15,660	43,766	59,426
NET ASSETS:			
Invested in Capital Assets (net of related debt)	-	10,991	10,991
Unrestricted	382,214	92,880	475,094
TOTAL NET ASSETS	382,214	103,871	486,085
TOTAL LIABILITIES AND NET ASSETS	\$ 397,874	\$ 147,637	\$ 545,511

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets - Internal Service Fund
For the Year Ended December 31, 2006**

	Self- Insurance	DPW Administration	Total
OPERATING REVENUES:			
Charges for Services	\$ -	\$ 393,482	\$ 393,482
Premiums - Health Insurance	1,543,101	-	1,543,101
Other Revenue	-	253	253
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING REVENUES	1,543,101	393,735	1,936,836
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES:			
Salaries & Benefits	-	195,039	195,039
Supplies	-	20,141	20,141
Administrative	77,372	-	77,372
Health Care	683,261	-	683,261
Prescriptions	371,726	-	371,726
Reinsurance	117,609	-	117,609
Dental	99,177		99,177
Other Services & Charges	-	134,219	134,219
Repair & Maintenance	-	4,862	4,862
Depreciation	-	11,541	11,541
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	1,349,145	365,802	1,714,947
	<hr/>	<hr/>	<hr/>
OPERATING INCOME (LOSS)	193,956	27,933	221,889
	<hr/>	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES):			
Interest Earnings	-	5,981	5,981
	<hr/>	<hr/>	<hr/>
Total Non-operating Revenues	-	5,981	5,981
	<hr/>	<hr/>	<hr/>
CHANGES IN NET ASSETS	193,956	33,914	227,870
	<hr/>	<hr/>	<hr/>
NET ASSETS, JANUARY 1	188,258	69,957	258,215
	<hr/>	<hr/>	<hr/>
NET ASSETS, DECEMBER 31	\$ 382,214	\$ 103,871	\$ 486,085
	<hr/>	<hr/>	<hr/>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006

	Self- Insurance	DPW Administration	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers/payments (to) from other governmental units	\$ 1,546,914	\$ 394,927	\$ 1,941,841
Payments to Suppliers	(1,356,581)	(157,878)	(1,514,459)
Payments to Employees	-	(195,362)	(195,362)
Net Cash Provided (Used) by Operating Activities	<u>190,333</u>	<u>41,687</u>	<u>232,020</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	-	(57,709)	(57,709)
Lease Proceeds		54,620	54,620
Principal Payments	-	(19,443)	(19,443)
Net Cash Provided (Used) by Capital and Related Financing activities	<u>-</u>	<u>(22,532)</u>	<u>(22,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	-	5,981	5,981
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>5,981</u>	<u>5,981</u>
Net Increase (Decrease) in Cash and Cash Equivalents	190,333	25,136	215,469
Balances - Beginning of the Year	<u>138,505</u>	<u>76,333</u>	<u>214,838</u>
Balances - End of the Year	<u><u>\$ 328,838</u></u>	<u><u>\$ 101,469</u></u>	<u><u>\$ 430,307</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 193,956	\$ 27,933	\$ 221,889
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	11,541	11,541
Change in Assets and Liabilities:			
Accounts Receivable	-	148	148
Prepaid Expenses	3,813	1,044	4,857
Accounts Payable	(7,436)	1,344	(6,092)
Accrued Liabilities	-	(323)	(323)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 190,333</u></u>	<u><u>\$ 41,687</u></u>	<u><u>\$ 232,020</u></u>

County of Wexford, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2006

	Land Reutilization	2003 Delinquent Tax	2004 Delinquent Tax	Recycling	Aquatic Nuisance	Wastewater System #1 Lk Mitchell	Wastewater System #3 Haring Twp	Wastewater System #4 Mesick	Totals
ASSETS:									
<i>Current Assets:</i>									
Cash & Equivalents - Unrestricted	\$ 176,162	\$ 447,223	\$ 466,989	\$ 45,238	\$ 14,604	\$ 603,443	\$ 109,468	\$ 32,603	\$ 1,895,730
Taxes Receivable	-	2,686	157,215	-	-	-	-	-	159,901
Accounts Receivable	-	-	-	-	-	-	36,571	58,794	95,365
Interest Receivable	-	-	51,881	-	-	-	-	-	51,881
Due from Other Governments	-	2,147	9,760	-	-	-	-	-	11,907
<i>Noncurrent Assets:</i>									
Capital Assets (net of accumulated depreciation)	-	-	-	276,240	447	12,981	6,498	980	297,146
TOTAL ASSETS	<u>\$ 176,162</u>	<u>\$ 452,056</u>	<u>\$ 685,845</u>	<u>\$ 321,478</u>	<u>\$ 15,051</u>	<u>\$ 616,424</u>	<u>\$ 152,537</u>	<u>\$ 92,377</u>	<u>\$ 2,511,930</u>
LIABILITIES:									
<i>Current Liabilities:</i>									
Accounts Payable	\$ -	\$ -	\$ -	\$ 445	\$ -	\$ 20,392	\$ 16,799	\$ 1,475	\$ 39,111
Accrued Liabilities	-	-	-	307	-	1,007	231	341	1,886
Due to Governmental Units	-	-	380	-	-	-	-	-	380
Other Liabilities	-	90	-	-	-	-	-	-	90
TOTAL LIABILITIES	<u>-</u>	<u>90</u>	<u>380</u>	<u>752</u>	<u>-</u>	<u>21,399</u>	<u>17,030</u>	<u>1,816</u>	<u>41,467</u>
NET ASSETS:									
Invested in Capital Assets (net of related debt)	-	-	-	276,240	447	12,981	6,498	980	297,146
Unrestricted	176,162	451,966	685,465	44,486	14,604	582,044	129,009	89,581	2,173,317
TOTAL NET ASSETS	<u>176,162</u>	<u>451,966</u>	<u>685,465</u>	<u>320,726</u>	<u>15,051</u>	<u>595,025</u>	<u>135,507</u>	<u>90,561</u>	<u>2,470,463</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 176,162</u>	<u>\$ 452,056</u>	<u>\$ 685,845</u>	<u>\$ 321,478</u>	<u>\$ 15,051</u>	<u>\$ 616,424</u>	<u>\$ 152,537</u>	<u>\$ 92,377</u>	<u>\$ 2,511,930</u>

County of Wexford, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended December 31, 2006

	Land Reutilization	2003 Delinquent Tax	2004 Delinquent Tax	Recycling	Aquatic Nuisance	Wastewater System #1 Lk Mitchell	Wastewater System #3 Haring Twp	Wastewater System #4 Mesick	Totals
OPERATING REVENUES:									
Interest & Penalties	\$ -	\$ -	\$ 86,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,669
Charges for Services	4,454	31,475	129,718	31,864	-	152,834	131,065	52,168	533,578
Other Revenue	-	-	-	91	-	-	-	194	285
TOTAL OPERATING REVENUES	4,454	31,475	216,387	31,955	-	152,834	131,065	52,362	620,532
OPERATING EXPENSES:									
Salaries & Benefits	-	-	-	26,298	-	65,017	25,954	24,440	141,709
Supplies	-	-	-	2,636	-	5,442	5,124	1,124	14,326
Administration	-	-	-	-	-	32,224	20,001	8,537	60,762
Other Services and Charges	-	1,590	-	25,698	760	74,650	48,089	16,475	167,262
Repair & Maintenance	-	-	-	-	-	18,974	-	-	18,974
Depreciation	-	-	-	18,499	782	3,076	2,913	2,817	28,087
Other Expenses	-	-	3,892	-	-	-	-	-	3,892
Total Operating Expenses	-	1,590	3,892	73,131	1,542	199,383	102,081	53,393	435,012
OPERATING INCOME (LOSS)	4,454	29,885	212,495	(41,176)	(1,542)	(46,549)	28,984	(1,031)	185,520
NON-OPERATING REVENUES (EXPENSES):									
Interest Earnings	7,581	16,457	-	2,212	631	28,606	4,152	1,494	61,133
Total Non-operating Revenues (Expenses)	7,581	16,457	-	2,212	631	28,606	4,152	1,494	61,133
Income (loss) before transfers	12,035	46,342	212,495	(38,964)	(911)	(17,943)	33,136	463	246,653
Operating Transfers Out	-	-	(2,500,000)	-	-	-	-	-	(2,500,000)
CHANGES IN NET ASSETS	12,035	46,342	(2,287,505)	(38,964)	(911)	(17,943)	33,136	463	(2,253,347)
NET ASSETS, JANUARY 1	164,127	405,624	2,972,970	359,690	15,962	612,968	102,371	90,098	4,723,810
NET ASSETS, DECEMBER 31	\$ 176,162	\$ 451,966	\$ 685,465	\$ 320,726	\$ 15,051	\$ 595,025	\$ 135,507	\$ 90,561	\$ 2,470,463

County of Wexford, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2006

	Land Reutilization	2003 Delinquent Tax	2004 Delinquent Tax	Recycling	Aquatic Nuisance	Wastewater System #1 Lk Mitchell	Wastewater System #3 Haring Twp	Wastewater System #4 Mesick	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from Customers/payments (to) from other governmental units	\$ 4,454	\$ 182,559	\$ 1,070,700	\$ 31,955	\$ -	\$ 152,834	\$ 128,624	\$ 43,964	\$ 1,615,090
Payments to Suppliers	-	(1,960)	(3,512)	(28,107)	(760)	(120,205)	(62,702)	(26,187)	(243,433)
Payments to Employees	-	-	-	(26,551)	-	(64,936)	(26,054)	(24,430)	(141,971)
Net Cash Provided (Used) by Operating Activities	4,454	180,599	1,067,188	(22,703)	(760)	(32,307)	39,868	(6,653)	1,229,686
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:									
Operating transfers out	-	-	(2,500,000)	-	-	-	-	-	(2,500,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	-	(2,500,000)	-	-	-	-	-	(2,500,000)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest income	7,581	16,457	-	2,212	631	28,606	4,152	1,494	61,133
Net Cash Provided (Used) by Investing Activities	7,581	16,457	-	2,212	631	28,606	4,152	1,494	61,133
Net Increase (Decrease) in Cash and Cash Equivalents	12,035	197,056	(1,432,812)	(20,491)	(129)	(3,701)	44,020	(5,159)	(1,209,181)
Balances - Beginning of the Year	164,127	250,167	1,899,801	65,729	14,733	607,144	65,448	37,762	3,104,911
Balances - End of the Year	<u>\$ 176,162</u>	<u>\$ 447,223</u>	<u>\$ 466,989</u>	<u>\$ 45,238</u>	<u>\$ 14,604</u>	<u>\$ 603,443</u>	<u>\$ 109,468</u>	<u>\$ 32,603</u>	<u>\$ 1,895,730</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Operating Income (Loss)	\$ 4,454	\$ 29,885	\$ 212,495	\$ (41,176)	\$ (1,542)	\$ (46,549)	\$ 28,984	\$ (1,031)	\$ 185,520
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Depreciation Expense	-	-	-	18,499	782	3,076	2,913	2,817	28,087
Change in Assets and Liabilities:									
Taxes Receivable	-	113,624	787,219	-	-	-	-	-	900,843
Accounts Receivable	-	-	-	-	-	-	(2,441)	(8,398)	(10,839)
Interest Receivable	-	37,904	42,562	-	-	-	-	-	80,466
Due from Governmental Units	-	(444)	24,532	-	-	-	-	-	24,088
Accounts Payable	-	-	380	227	-	11,085	10,512	(51)	22,153
Accrued Liabilities	-	-	-	(253)	-	81	(100)	10	(262)
Other Liabilities	-	(370)	-	-	-	-	-	-	(370)
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,454</u>	<u>\$ 180,599</u>	<u>\$ 1,067,188</u>	<u>\$ (22,703)</u>	<u>\$ (760)</u>	<u>\$ (32,307)</u>	<u>\$ 39,868</u>	<u>\$ (6,653)</u>	<u>\$ 1,229,686</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL
DEANNA J. MAYER, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of
The Board of Commissioners
County of Wexford, Michigan
437 East Division
Cadillac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of the County of Wexford, Michigan, as of and for the year ended December 31, 2006, which collectively comprise Wexford County's basic financial statements and have issued our report thereon, dated May 2, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of Wexford County Road Commission, Cadillac-Wexford Transit Authority, Cadillac-Wexford Public Library, and the Wexford County Airport Authority's financial Statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Wexford County Road Commission, Cadillac-Wexford Transit Authority, Cadillac-Wexford Public Library, and the Wexford County Airport Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Wexford, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Honorable Chairman and Members
of the Board of Commissioners
County of Wexford, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Wexford, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Wexford, Michigan in a separate letter dated May 2, 2007.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 2, 2007



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board
County of Wexford, Michigan
437 East Division
Cadillac, Michigan 49601

Compliance

We have audited the compliance of the County of Wexford, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Wexford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Honorable Chairman and Members
of the Board of Commissioners
County of Wexford, Michigan

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 2, 2007

County of Wexford, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Pass-through programs from the Michigan State Housing Development Authority:			
Housing Program CDBG - 2004	14.228	MSC-2004-5831-HOA	\$ 47,122
Housing Program CDBG - 2006	14.228	MSC-2006-5831-HOA	16,140
Subtotal - passed through MSHDA			63,262
Total U.S. Department Housing & Urban Development			63,262
U.S. DEPARTMENT OF JUSTICE:			
Pass-through programs from Missaukee County:			
Byrne Memorial Formula Grant Program - 10/01/05 to 9/30/06	16.738	70772-07-06-B	21,406
Byrne Memorial Formula Grant Program - 10/01/06 to 9/30/07	16.738	70772-07-07-B	11,409
Byrne Memorial Justice Assistance Grant - 10/01/05 to 9/30/06	16.738	72196-2-06-B	104,430
Byrne Memorial Justice Assistance Grant - 10/01/06 to 9/30/07	16.738	72196-2-07-B	32,980
Subtotal - passed through Missaukee County			170,225
Pass-through programs from the Michigan Department of Human Services:			
Juvenile Accountability Incentive Block Grant - 02/01/05 to 01/31/06	16.523	JABGN-05-83001	2,300
Juvenile Accountability Incentive Block Grant - 02/01/06 to 01/31/07	16.523	JABGN-06-83001	843
Subtotal - MDHS			3,143
Total U.S. Department of Justice			173,368
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through programs from the Michigan Department of State Police:			
Enforcement Zone Grant - 10/01/05 to 09/30/06	20.600	PT-06-58	10,404
Pass-through programs from the Michigan Department of Transportation:			
Road Projects - State Administered	20.205	N/A	335,637
Road Projects - Local Administered	20.205	N/A	27,943
Federal Transit Capital Improvement Grant - Airport	20.500	N/A	216,322
Operating Grant - Section 5311	20.509	02-0023/Z13	233,139
Rural Transit Assistance Program	20.509	RTAP 05/06	2,891
Total U.S. Department of Transportation			826,336
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-through programs from the Michigan Department of Human Services:			
AFDC Maintenance Assistance for 2005/2006	93.563	N/A	38,102
AFDC Maintenance Assistance for 2006/2007	93.563	N/A	14,043
PA CRP Title IV-D - 10/1/05 to 9/30/06	93.563	CS/PA-06-83002	55,004
PA CRP Title IV-D - 10/1/06 to 9/30/07	93.563	CS/PA-07-83002	19,088
FOC CRP Title IV-D - 10/1/05 to 9/30/06	93.563	CS/FOC-06-83001	215,849
FOC CRP Title IV-D - 10/1/06 to 9/30/07	93.563	CS/FOC-07-83001	96,212
FOC CRP Title IV-D - 10/1/05 to 9/30/06 - Missaukee County	93.563	CS/FOC-06-83001	72,907
FOC CRP Title IV-D - 10/1/06 to 9/30/07 - Missaukee County	93.563	CS/FOC-07-83001	32,771
Subtotal - MDHS			543,976
Total U.S. Department of Health and Human Services			543,976
See notes to schedule of expenditures of federal awards.			

County of Wexford, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Pass-through programs from the Michigan Department of State			
Police, Emergency Management Division:			
Emergency Management Performance Grants 10/01/05-09/30/06	97.042	N/A	6,236
Emergency Management Performance Grants 10/01/06-09/30/07	97.042	N/A	2,338
2003 State Homeland Security Grant Program Part II	97.004	N/A	10,701
2004 State Homeland Security Grant Program Interoperable Equipment	97.004	N/A	21,940
2005 State Homeland Security Grant Program 10/1/04 to 1/31/07	97.067	N/A	6,400
2005 Law Enforcement Terrorism Prevention Program 10/1/04 to 1/31/07	97.067	N/A	5,024
Total U.S. Department of Homeland Security			52,639
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,659,581

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Wexford, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Transportation which provided the greatest amount of indirect federal funding to the County during 2006.

NOTE C - NORTHWEST MICHIGAN HUMAN SERVICES AGENCY ADMINISTRATION

The Michigan Community Development Block Grant CFDA #14.228 is administered by the Northwest Michigan Human Services Agency.

NOTE D - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2006, the Federal aid received and expended by the Road Commission was \$335,637 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

**NOTE E - RECONCILIATION OF BASIC FINANCIAL STATEMENT FEDERAL REVENUE
WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Revenue from Federal Sources – As reported in Financial Statements (includes all funds.)	\$ 879,632
Add: Component Units revenue from Federal sources	815,932
Less: State revenue classified as federal	(33,770)
Less: Federal Forest	<u>(2,213)</u>
Federal expenditures per schedule of expenditures of federal awards	<u>\$ 1,659,581</u>

NOTE F - SUB RECIPIENT AWARDS

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to sub recipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Title IV-D cooperative reimbursement for 2005/2006 and 2006/2007 – Friend of the Court – Missaukee	93.563	\$ 105,678
Community Development Block Grant for 2004 Northwest Michigan Human Services Agency, Inc.	14.228	63,262

NOTE G - AGENCY OR PASS-THROUGH NUMBER

For all grants that an agency or pass-through number is not available an N/A is listed to note that.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs**CFDA NUMBERS****Name of Federal Program or Cluster**

93.563	Child Support Enforcement
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

NONE.

Additional Information

COUNTY OF WEXFORD, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman and Members
Of the Board of Commissioners
County of Wexford, Michigan
437 East Division
Cadillac, Michigan 49601

Our report on our audit of the basic financial statements of the County of Wexford, Michigan, as of and for the year ended December 31, 2006, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 2, 2007

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2006, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$4,800,000 2002 Building Authority Bonds, Series 2002.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

A. County Taxation and Limitations

Property Tax Levy History

<u>Purpose</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
County Operating	6.8839	6.8302	6.8179	6.7988	6.7797
Public Safety (1)	0.9383	0.9309	0.9292	0.9265	0.9500
Animal Control (1)	<u>0.3456</u>	<u>0.3429</u>	<u>0.3422</u>	<u>0.3412</u>	<u>0.3500</u>
Totals	8.1678	8.1040	8.0893	8.0665	8.0797

(1) Voter approved millages.

Source: County of Wexford

SEV and Taxable Valuation History

<u>Year of Valuation</u>	<u>SEV</u>	<u>Taxable Valuation</u>	<u>SEV Percentage Increase Over Prior Year</u>	<u>Taxable Valuation Percent Increase Over Prior Year</u>
2002	926,405,911	704,599,790	10.6	6.6
2003	1,005,681,073	745,063,754	8.6	5.7
2004	1,102,250,725	794,420,290	9.6	6.6
2005	1,207,607,874	852,971,999	9.6	6.7
2006	1,273,284,019	908,740,439	5.4	6.3

Source: County of Wexford

NOTE 2 - TABLES: (Continued)

Property Tax Collection History

<u>Year of Levy</u>	<u>Total Levy as of December 1 (1)</u>	<u>Collections to March 1 Year Following Levy</u>		<u>Collection to June 30, 2006</u>	
2002	5,753,364	5,163,024	89.7	5,753,364	100
2003	5,088,934	4,525,974	88.9	5,088,934	100
2004	5,268,532	4,608,735	87.5	5,268,532	100
2005	5,753,778	5,152,718	89.5	5,753,778	100
2006	6,160,987	5,652,391	91.7	6,160,987	100

(1) The County's fiscal year begins January 1st. Taxes are due December 1st. and are recorded as delinquent the following March 1st.

Source: County of Wexford

B. Revenues from the State of Michigan

<u>Fiscal Year Ended/Ending</u>	<u>Revenue Sharing Payments</u>
December 31, 2002	584,206
December 31, 2003	546,844
December 31, 2004	243,692
December 31, 2005	-
December 31, 2006	-

Source: County of Wexford

NOTE 2 - TABLES: (Continued)

C. County Debt

The following table reflects a breakdown of the County's direct and overlapping debt as of December 31, 2006 and includes the Bonds. Bonds designated L.T.G.O. bonds are limited tax pledge bonds.

<u>Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting or Portion Paid Directly By Benefited Municipalities</u>	<u>Net</u>	<u>Per Capita</u>	<u>Net Debt % of SEV</u>
Building Authority (L.T.G.O.)	\$ 4,385,000	\$ -	\$ 4,385,000		
Water & Sewer Bonds (L.T.G.O.)	<u>567,000</u>	<u>567,000</u>	<u>-</u>		
Totals	<u>\$ 4,952,000</u>	<u>\$ 567,000</u>	<u>\$ 4,385,000</u>	162.44	.39%

Source: County of Wexford

Short-Term Financing

The County does not issue short-term obligations for cash flow purposes.

Lease Obligations

For a description of the County's lease obligations see **"Basic Financial Statements – Notes to Financial Statements – Note Six (6)."**

Source: County of Wexford

Retirement System

For a description of the retirement benefits of the County employees see **"Basic Financial Statements – Notes to Financial Statements – Note Ten (10)."**

Source: County of Wexford

NOTE 2 - TABLES: (Continued)**D. Labor Contracts**

Of the County's 168 Employees, 66% are represented by labor organizations. The following table illustrates the various labor organizations that represent County employees, the number of members and part-time employees, and the expiration dates of the present contracts.

<u>Bargaining Unit</u>	<u>Number of Employees December 31, 2006</u>	<u>Contract Expiration Date</u>
Command Officers Association of Michigan	3	12-31-05
Police Officers Association of Michigan	46	12-31-06
Teamsters	6	12-31-06
International Union Operating Engineers	5	12-31-07
Technical Professional Officers Association of Michigan	41	12-31-06
Management	9	12-31-06
Non-Union Employees	<u>58</u>	
Total	<u>168</u>	

Source: County of Wexford

NOTE 2 - TABLES: (Continued)

E. Major Taxpayers

Owners Name	Taxable Value	Real	Pers.	% of 2006 Taxable Value
Consumers Energy	\$ 21,533,879	\$ 4,062,726	\$ 17,471,153	2.4
Cadillac Renewable	11,311,600	11,200,000	111,600	1.3
Cadillac Casing, Inc.	10,626,200	2,567,000	8,059,200	1.2
Cadillac Rubber & Pl	9,781,802	3,811,702	5,970,100	1.1
Walmart Real Estate	8,646,200	8,646,200	-	1.0
Meijer, Inc.	6,498,031	4,873,131	1,624,900	0.7
Rexair, Inc. A US Ind, Inc.	5,870,158	3,124,958	2,745,200	0.7
Michigan Dept. of	5,728,610	5,728,610	-	0.6
Michigan Consolidated.	5,404,173	210,398	5,193,775	0.6
Michigan Rubber	5,165,754	2,296,854	2,868,900	0.6
AAR Cadillac Mfg.	4,990,558	1,928,658	3,061,900	0.6
Lakeland Sq. Associates	4,631,938	4,631,938	-	0.5
FIAMM Technologies	4,371,216	1,393,216	2,978,000	0.5
Paulstra CRC	4,190,394	846,094	3,344,300	0.5
Four Winns Boat Co.	3,995,144	2,927,144	1,068,000	0.4
HD Development of MD	2,332,841	2,332,841	-	0.3
Transpro Group Inc.	2,197,100	1,072,900	1,124,200	0.2
Walmart Stores	1,741,500	-	1,741,500	0.2
Piranha Hose	1,693,528	1,033,228	660,300	0.2
Borg Warner	1,451,900	-	1,451,900	0.2
Grand Valley	1,409,148	1,409,148	-	0.2
Total	<u>\$ 123,571,674</u>	<u>\$ 64,096,746</u>	<u>\$ 59,474,928</u>	<u>13.5</u>

Source: County of Wexford



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REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Wexford, Michigan
437 East Division
Cadillac, MI 49601

We have audited the basic financial statements of the County of Wexford, Michigan for the year ended December 31, 2006, and have issued our reports thereon dated May 2, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Wexford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Wexford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Wexford's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Wexford's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Wexford's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Wexford are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Wexford during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Post closure and closure costs estimates are based on engineer's reports.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Wexford's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Wexford, either individually or in the aggregate, indicate matters that could have significant effect on the County of Wexford's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Wexford's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Wexford's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Accounts Receivable (Prior Year)

In testing accounts receivable at the DPW unit, we noted that there was not a subsidiary listing for the unit's trash removal customers (i.e., Waste Management) for Fund #571. We recommend the entity maintain an aging accounts receivable listing segregated by customer so as to improve the monitoring of its collections activity.

We also noted that there was no documentation to support its receipts from customers (i.e., remittance advice, customer billing documentation) for its landfill, wastewater, water, and sewer billings. We recommend that all billing documentation received with the customer's payment be maintained in the entity's records. This is especially imperative for the 'Landfill' customers as they generally represent a substantial amount of the entity's accounts receivable balance.

Board Minutes (Prior Year)

While reviewing Board minutes we noted that not all minutes are signed. We recommend that all board minutes are signed to evidence proper review and approval.

Payroll

In testing the controls of the payroll system, we noted that several of the employees' W-4's were outdated. We recommend that employees' W-4's be updated every two years, if changes are deemed necessary by the employee.

In our testing of the payroll system, it was noted that two employees did not have a completed Michigan New Hire Form. It is recommend employees hired after October 1, 1997 have a completed Michigan New Hire Form.

In our testing of the payroll system, it was also noted that some employees did not have authorized signatures on their timecards. It is recommended timecards be signed by the individual employee along with their supervisor's signature.

Bank Statements not included on County's Books

While examining the confirmations sent to the individual financial institutions, it was noted that two bank accounts held by Wexford County are not included in the general ledger accounting records. These two bank accounts include the sheriff's inmate trust account and district court account. It is recommended that these two bank accounts are added to the County's general ledger.

District Court Bonds and Restitution Listings

The District Court's outstanding bonds and restitutions as of December 31, 2006 are not recorded in the County's general ledger. While trying to agree the outstanding bonds and restitution to the bank statement, it was noted that the listings were ongoing and, therefore, it was not possible to determine the balance as of December 31, 2006. We recommend that the listings be reconciled to the bank statements on a monthly basis.

County Inmate Trust

During testing of the inmate trust fund, it was discovered that the sheriff's department purchases and disburses items for the inmates through the inmate trust fund. This trust fund should only include receipts and disbursements made by the inmates housed in the facility. The balance in the inmate trust bank account should only reflect the balance of each inmate's personal funds. The purchasing of commodities and other items should be purchased through a separate fund (the Sheriff Commissary) and only purchased by the inmates through the inmate trust fund. It is recommended that the sheriff's department separate these functions.

Child Enforcement Program

While conducting the Single Audit, it was noted that the following reports had immaterial mathematical errors:

- Monthly worksheet for Personnel Activity Reports (PA) – Month of August, 2006-daily total was annotated as \$11,730. However, when the columns were added, the total was actually \$11,750; a difference of \$20.
- Monthly worksheet for Personnel Activity Reports (UIFSA) – Month of August, 2006-daily total was annotated as \$7,140. However, when the columns were added, the total was actually \$6,630; a difference of \$510.
- The Title IV-D Cooperative Reimbursement Actual Expenditure Report, Section C-Budget Categories line 1, column 2 was annotated as \$5,490.53, but was recomputed to be \$3,569.05; a difference of \$112.04.

We recommend all computations and source numbers be verified for accuracy.

Summer Tax Levy

With the change in the funding of Revenue Sharing various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to still fund Revenue Sharing and still receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what is not collected is not received until settlement in March of the subsequent year. This creates a cash flow shortage which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties operating levy whole, we recommend that taxes receivable and taxes revenue be recorded to account for the uncollected summer levy at year end. The County should also consider the impact of the changes noted above on its cash flow needs.

Capital Assets

In 2006, the governmental and proprietary capital asset schedules were not updated for all additions and disposals. The capital asset accounts of the landfill fund were not updated for additions in 2006. We recommend that management review its procedures to ensure that capital asset records and accounts be updated for all additions and disposals yearly.

Compensated Absences

Compensated absences for the enterprise funds are currently included with the governmental activities of the County. In accordance with generally accepted accounting principles the compensated absences relating to employees of an enterprise fund must be recorded in the fund as a liability. We recommend that the County record employee's compensated absences of enterprise funds as a liability in those funds.

Fraud Policy

With the implementation of Statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The County does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the County adopt a fraud policy in compliance with SAS No. 99.

Personal Property Taxes

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

GASB Statement 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the County of Wexford required to implement the Statement for the year ended December 31, 2008, GASB Statement 45 will impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to pay for these benefits. Beginning in 2008, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Board of Commissioners as well as County Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

This information is intended solely for the use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



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Certified Public Accountants

May 2, 2007